

Auditing for the Australian Capital Territory

The Auditor-General is head of the Auditor-General's Office. He and his Office act independently of the Government. The Office assists the Auditor-General to carry out his duties, which are set out in the *Auditor-General Act 1996*, by undertaking audits of management performance and the financial statements of public sector bodies. The aim is to improve public sector management and accountability by firstly, 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.



AUDITOR-GENERAL
AUSTRALIAN CAPITAL TERRITORY



M02/31

28 August 2002

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 2001 to 30 June 2002.

Yours sincerely

John A Parkinson, FCPA



AUDITOR-GENERAL
AUSTRALIAN CAPITAL TERRITORY



**AUDITOR-GENERAL'S STATEMENT OF RESPONSIBILITY
FOR INTERNAL CONTROL¹**

CONTEXT

As Auditor-General, I have responsibility for ensuring a sound system of internal control operates within the Auditor-General's Office. The system of internal control supports my legislated functions and provides me with assurance that the policies, aims, and objectives that I have set for the Office are being achieved. This includes ensuring the integrity and reliability of financial and non-financial information, as well as safeguarding the Office's funds and assets from loss through fraud or as a result of other occurrences. It also includes safeguarding the confidentiality of audit evidence and audit work-in-progress.

The system of internal control includes an ongoing process designed to identify the major risks which could negatively affect the achievement of my legislated functions or the Office's achievement of its principal policies, aims and objectives. The system includes evaluating the nature and extent of identified risks and implementing methods to manage the risks effectively and efficiently.

The system of internal control is intended to manage and not to eliminate all risk. The level of assurance sought that each risk is effectively managed is commensurate with the significance of that risk.

CERTIFICATE

I certify that internal control procedures, which are consistent with the preceding description, operated in the Auditor-General's Office throughout the year ended 30 June 2002.

John A. Parkinson, FCPA

¹ See Chapter 6 of this Report (paragraphs 6.15 to 6.18) for the reasons why this Statement of Responsibility is included in the Report.

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1. GENERAL INFORMATION

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 public sector agencies in the Territory.

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 agencies.

1.3 The overall aim of the Auditor-General's Office is to improve public sector management and accountability. The Office achieves this through ensuring that the Legislative Assembly and the electorate are provided with accurate and useful information about the management of public sector resources. The Office also does this through the provision of independent advice and recommendations for improving the management of public sector 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 Territory 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 a responsibility with respect to Commonwealth grants to the Territory under Commonwealth legislation and agreements between the Territory and the Commonwealth.

OBJECTIVES

1.6 The primary objective of the 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 and useful information about the management of public sector resources; and
- promoting the economic, efficient and effective use of public sector resources by providing the Legislative Assembly, the Executive and public sector officials with independent advice relating to the improvement of the management of those resources.

1.7 Other objectives include the promotion of public accountability in the public administration of the Territory and the effective discharge of any other statutory function conferred on the Auditor-General.

VISION

1.8 The vision of the Auditor-General's Office is to be acknowledged as the foremost source of independent and impartial information and advice on the quality of the management of public sector resources in the Territory.

MAJOR ACTIVITIES

1.9 The major activity of the Auditor-General's Office is the carrying out of 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 Auditor-General's Office has adopted a more detailed definition of performance audit:

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 the management and accountability of public sector resources in the Territory.

Financial Audits

1.13 There is no definition of a financial audit in the Auditor-General Act or the Financial Management Act. For the purposes of carrying out the responsibilities of the Auditor-General, the Office defines a financial audit 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 individuals. 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.

MANAGEMENT AND ACCOUNTABILITY

1.16 The details of senior staff in the Auditor-General's Office at 30 June 2002 are provided below:

<i>Auditor-General:</i>	John A. Parkinson, FCPA
<i>Director, Performance Audits and Administration:</i>	Jo Benton, CSC, RFD, BEc, GDPA, FCPA
<i>Director, Financial Audits:</i>	Bernie Sheville, BA(Acc), CA
<i>Audit Managers</i>	Michael Lai, BCom, GDIS, FCPA, GCPA Greg Martin, BFA(Hons), CPA Rod Nicholas, JP, BA(Acc), CPA Malcolm Prentice, BBus(Acc), CPA Ajay Sharma, CA, BA(Acc & Eco)

1.17 The Office organisational chart identifies the responsibilities and relationships of senior staff in the Office. The Office has no formally established senior management committees.

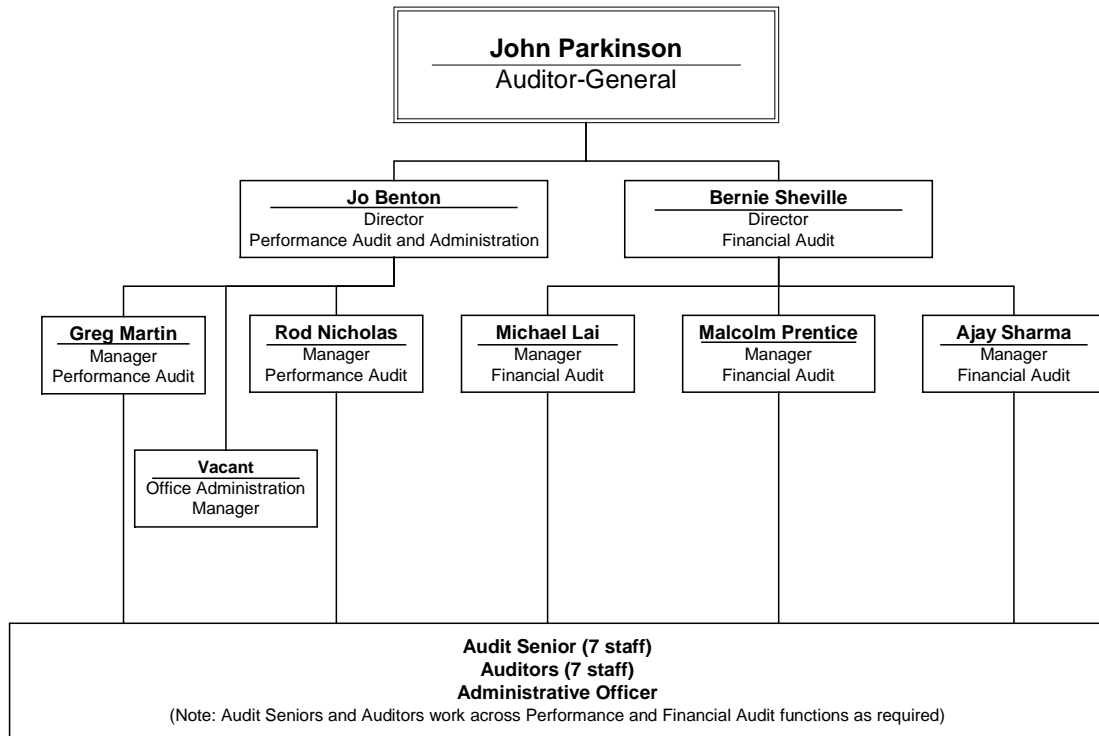
ACCESS AND LOCATION

<i>Location:</i>	Scala House 11 Torrens Street Braddon ACT 2612
<i>Business Hours:</i>	8.30am - 5.00pm, Monday to Friday
<i>Postal Address:</i>	PO Box 275 Civic Square ACT 2608
<i>Internet Address:</i>	www.audit.act.gov.au
<i>Telephone:</i>	(02) 6207 0833
<i>Facsimile:</i>	(02) 6207 0826

ORGANISATIONAL CHART

ACT Auditor-General's Office

July 2002



IN MEMORY

1.18 The Office records, with sadness, the death of Mrs Dianne Fraser shortly before publication of this report. Dianne was the Office's Administration Manager. Dianne's enthusiastic contributions to the social and organisational life of the Office will be greatly missed. The Office extends its deepest sympathies to Dianne's family and friends.

2. THE YEAR IN REVIEW AND PROSPECT

THE YEAR IN REVIEW

2.1 The Auditor-General's Office tabled 10 performance audit reports in the Legislative Assembly in 2001-2002. The Office also completed 85 financial statement audits and issued opinions on them. In addition, the Office tabled its annual summary report of the Office's audits of agencies' financial statements for the financial year 2000-2001. It also performed a range of other functions in furtherance of its Charter.

2.2 During 2001-2002, 30,573 staff hours were charged to audits compared to a higher target of 32,500 hours. The result for 2001-2002 represents 67 percent of total staff standard hours available and this equals the target set and compares with 68 percent achieved in 2000-2001. Overall audit costs per staff hour were \$74.12 compared with a planned cost of \$75.85 and a result of \$65.68 achieved in 2000-2001.

Performance Audits

2.3 During the year, 10 reports were tabled in the Legislative Assembly. These reports achieved a reasonable coverage across ministerial portfolios and significant government activities. Four of these performance audits addressed Whole of Government issues.

2.4 In 2001-2002, 12,894 staff hours were charged to performance audits compared with a target of 11,000 hours and a result of 13,704 hours in 2000-2001. Audit costs per hour were \$80.19 compared with a target of \$80.45 and a result of \$71.51 in 2000-2001.

2.5 A survey was distributed to all Members of the Legislative Assembly in July 2002. All respondents rated the performance audits of the Office as satisfactory or better. In the same month, a separate survey was issued to Chief Executives and Chief Executive Officers. This survey yielded similar results to that received from the Legislative Assembly.

Financial Statement Audits

2.6 Out of the 85 financial statement audits completed during 2001-2002, a total of 80 of these audits (94%) 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 2002. As for the five agency financial statement audits that were not completed on time, this was due to the Office having received the necessary information from the agencies well after the deadline to complete the audit.

2.7 In 2001-2002, 17,679 staff hours were spent on financial statement audits compared with a target of 21,500 hours and a result of 17,841 hours achieved in 2000-2001. Audit costs per hour were \$69.68 compared with a target of \$73.49 and a result of \$61.20 in 2000-2001.

2.8 All fifteen Chief Executives and Chief Executive Officers surveyed rated the Office's performance as being satisfactory, good or very good.

Other Activities and Functions

2.9 The Auditor-General's Office undertook a wide range of other activities in 2001-2002. These are summarised below.

- 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 2002.
- The Office contributed to the review of *the Public Access to Government Contracts Act 2000*.
- The Office provided comments to the Department of Treasury on the review of the Financial Management Act. This included a review of various discussion papers prepared by the Department of Treasury and amendments to the Act in the *Financial Amendment Bill 2002*.
- The Office provided a review of a draft cabinet submission on ACT Forests at the request of the Department of Urban Services.
- The Office provided comments to a draft cabinet submission titled 'Amendment to the Financial reform Model – Purchase Agreements'.
- The Office provided comments on the 'Model Financial Statements for ACT Government Department and Territory

Authorities for reporting periods ending on or after 30 June 2002' issued by the Department of Treasury.

- The Office provided comments to the Department of Treasury on proposed Finance Memorandums, where invited to do so.
- The Office provided comments to the ACT Government Procurement Board on proposed procurement policy and guidelines, where invited to do so.

Financial Operations

2.10 The Auditor-General's Office made a profit of \$126,000 during 2001-2002 compared with a budgeted profit of \$30,000 and a loss of \$127,000 in 2000-2001. The Office's short-term financial position is satisfactory.

Other Matters

2.11 The Auditor-General's Office had 24 staff at 30 June 2002. This was one more than at the end of the previous year. There were some changes to the Office's staffing profile during the year: an additional Financial Auditor Manager position was created, and following the resignation of a Performance Auditor Manager, a new Performance Audit Senior was recruited. Overall, however, the proportion of financial and performance audit staff remains essentially unchanged. Half of the staff employed by the Office come from a multicultural background.

2.12 During 2001-2002, nine firms were engaged to assist with financial statement and performance audits compared to 11 firms in the previous year. A total of \$650,500 was paid to these firms compared with a budgeted expenditure of \$610,000 and actual expenditure of \$735,000 in 2000-2001.

2.13 During 2001-2002, the Office conducted major renovations to the office to cater for approximately 24 staff. The total cost of this renovation was \$60,000.

FUTURE DIRECTIONS

Strategic Planning

2.14 The Auditor-General prepared and issued a document titled *2002 Strategic Focus* to guide staff in 2002. The views of the Legislative Assembly as well as Chief Executives and Chief Executive Officers elicited from surveys conducted by the Office annually were considered in the planning of this document.

2.15 This Strategic document outlines the operational philosophy for the Auditor-General's Office and focuses the attention of staff on nine key areas concerning financial audit, performance audit, the split between performance and financial audit resources and audit productivity.

2.16 The main Strategic Focus for the area of financial auditing is to consolidate the reduction in hours achieved in 2001, bring expensive audits that were contracted in 2001 in-house and reduce the size and cost of financial reports overall.

2.17 The main Strategic Focus in the area of performance auditing is to ensure reasonable coverage across ministerial portfolios and of significant government activities and justify appropriations of public funds for the conduct of performance audits.

2.18 An assessment of the Office's outcomes against the various targets contained in this Strategic document will be made at the end of 2002.

Operational Environment

2.19 The Auditor-General's Office's functions are set out in Territory legislation. The Office understands that there is no immediate plan by the Legislative Assembly to change the present operating environment of the Office. That said, the Government is currently considering possible amendments to the *Auditor-General Act 1996* proposed by the Auditor-General. The aims of the proposed amendments are to obtain greater clarification on access to information generally, thus strengthening the Act overall. A copy of the Auditor-General's proposals was provided to the Standing Committee on Public Accounts.

3. PERFORMANCE AUDITS

INTRODUCTION

3.1 This Chapter provides a summary of the total costs and appropriation and the number of reports tabled in the Legislative Assembly. This is followed by the results of the Legislative Assembly Members' and Chief Executives and Chief Executive Officers satisfaction with the quality of Office reports by the Auditor-General's Office.

3.2 A key purpose of performance audits is to provide the Legislative Assembly with independent assessments on whether Territory programs are implemented and administered economically, efficiently and effectively. Another important aim is to assess whether the Legislative Assembly and the public is being provided with fair and reliable information regarding public sector management and program performance.

ASSESSMENT OF PERFORMANCE AGAINST MEASURES

Costs and Appropriations

3.3 Table 3.1 summarises the costs and appropriations for performance audit for the financial year 2001-2002 and the previous three years. It also shows the planned budget for 2002-2003.

Measure	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Planned	2001-02 Actual	2002-03 Planned
Costs						
Internal costs	\$0.669m	\$0.966m	\$0.980m	\$0.885m	\$1.034m	\$0.934m
Contract audit costs	\$0.238m	\$0.111m	\$0.038m	\$0.040m	\$0.046m	\$0.060m
Total costs	\$0.907m	\$1.077m	\$1.018m	\$0.925m	\$1.080m	\$0.994m
Audit cost per hour excluding contract costs	\$72.48	\$70.88	\$71.51	\$80.45	\$80.19	\$73.63
Appropriation	\$0.907m	\$0.904m	\$0.909m	\$0.925m	\$0.925m	\$0.942m

3.4 *Total costs:* Total costs charged to performance audits were \$1.080m compared with a planned \$925,000. The increased cost of \$155,000 was a direct result of an extra 1,900 audit hours charged to performance audits due to complexities of the subject matter and the involvement of numerous agencies in the reports (see *quantity* measures).

3.5 *Audit costs per hour:* The average audit cost per hour (excluding contract costs) of performance audits was \$80.19. This was less than the planned cost (\$80.45) but more than the actual hourly cost achieved in 2000-2001 (\$71.51). Staff productivity is reflected in the number of hours charged to audits compared to those planned for 2001-2002.

3.6 *Appropriation:* The appropriation provided for performance audits did not meet the actual costs. The excess was met by the Office drawing on its reserves accumulated in previous years.

Quantity

3.7 Table 3.2 summarises the total hours charged to audits and reports tabled in the Legislative Assembly for the financial year 2001-2002 and the previous three years. It also shows the planned budget for 2002-2003.

Measure	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Planned	2001-02 Actual	2002-03 Planned
Total hours charged to audits	9,227	13,628	13,704	11,000	12,894	13,500
Number of Reports presented to the Legislative Assembly	8	0	15	15	10	8

3.8 *Total hours charged to audits:* The total hours charged to performance audits was more than the target hours and slightly more than hours charged in 2000-2001. This was the result of the continuing heavy use of resources to conduct more complex and multi-faceted performance audits as well as a shift in resources from financial to performance audits.

3.9 *Reports tabled in the Legislative Assembly:* The performance measure target for reports to be presented in the Legislative Assembly was 15 and the actual result was 10. Of these, three reports concerned the governance of Territory agencies. Another three reports were agency

specific audits. One of these was requested by the Legislative Assembly and another by the Government. The remaining four reports were those that had been set aside for the duration of the Bruce Stadium audit in 1999-2000. Reports presented to the Legislative Assembly were:

- The Administration of Payroll Tax;
- Managing Canberra Urban Parks and Open Space;
- Canberra Tourism and Events Corporation – Relocation to Brindabella Business Park;
- Agents Board – Financial Administration of Training Grant Program;
- Corrective Services – Review of Certain Allegations;
- The Freedom of Information Act;
- Special Purpose Review of Part of the Commission of Audit Report on the State of the Territory's Finances at 31 October 2001;
- Operation of the Public Access to Government Contracts Act;
- Governance Arrangements of Selected Statutory Authorities; and
- Frameworks for Internal Auditing in Territory Agencies.

Quality/Effectiveness

3.10 This section reports findings on surveys conducted by the Auditor-General's Office in July 2002. The Office surveyed Members of the Legislative Assembly, the Chief Executives and Chief Executive Officers of Territory agencies. The purpose of these surveys was to elicit their views on aspects of the Office's performance with regards the quality of reports.

3.11 Table 3.3 shows the Legislative Assembly Members' and Chief Executives and Chief Executive Officers satisfaction with the quality of Office reports.

Table 3.3 – Performance Measure – Quality/Effectiveness

Measure	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Planned	2001-02 Actual	2002-03 Planned
Audits performed to Professional Standards	Independent Performance Audit	Internal Assessment	Target met	Internal Assessment	Target met	Internal Assessment
Legislative Assembly Members, satisfaction with reports quality	Not measured	Not measured	100%	90%	100%	90%
Chief Executives' satisfaction	Not measured	Not measured	100%	90%	100%	90%

Survey of Legislative Assembly Members

3.12 The performance measure targets for quantity/effectiveness included a survey of Legislative Assembly Members to gauge their satisfaction with the quality of the Office’s performance audit reports. A survey was distributed to all 17 Legislative Assembly Members in July 2002. A total of 15 (88%) responses were received.

3.13 The survey revealed that the majority (87%) of Members rated the usefulness of the reports on the management of public sector resources as good or very good. Around 73% of Members rated the relevance of the topics selected for audit as good or very good, and 87% rated the overall quality of the reports as good or very good.

3.14 No Member of the Legislative Assembly rated the Office’s performance as poor in any of the areas surveyed. The comments provided in these responses have been taken into account in the planning of future audits.

Survey of Chief Executives

3.15 The Office for the second year surveyed Chief Executives and the Chief Executive Officers of Territory agencies for their views on performance audits conducted by the Office. A total of 40 Chief Executives and Chief Executive Officers were surveyed on three different types of performance audit reports. These included the ‘framework for internal auditing’, ‘governance arrangements for selected statutory

authorities' and specific agency-based performance audits. Of these, 30 (75%) responded to the survey.

3.16 Some 70% of Chief Executives and the Chief Executive Officers ranked the Office's performance as good or very good and the remaining 30% ranked the Office's performance as satisfactory. The comments provided by the Chief Executive group will be taken into account when conducting future audits.

Timeliness

3.17 Table 3.4 shows the proportion of reports that were completed within the nine months timeliness measure for the financial year 2001-2002, the previous three years and the proportion of planned reports for 2002-2003.

Measure	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Planned	2001-02 Actual	2002-03 Planned
Percentage of audits completed within 9 months	50%	0%	7%	100%	30% ²	90%

3.18 The targeted timeliness measure was not met. This was a result of the Office's focus on completing four reports, which represented resumed audit work that had been set aside for the duration of the Bruce Stadium audit in 1999-2000. Another three reports concerned the governance of a number of agencies, which were complex and multi-faceted in nature.

Summary

3.19 Overall, the Auditor-General's Office performed to a satisfactory level in 2001-2002 against the planned performance measure targets. There is some room to generate increased output in future years.

² A total of 11 reports were completed in 2001-02, including 10 performance reports and one Annual Management Report.

REPORTS IN PROGRESS

3.20 At 30 June 2002, eight performance audits were in progress for completion in 2002-2003. These audits included:

- Chief Minister's Annual Reports Directions;
- Cabinet Office procedures;
- Readiness of Emergency Services assets;
- Redevelopment of certain concessional leases;
- Management of fraud control in the ACT public sector;
- Belconnen Indoor Pool Complex;
- Provision of government services on the internet; and
- Salaried Specialists Private Practice Follow Up Audit.

4. FINANCIAL STATEMENT AUDITS

PERFORMANCE MEASURES

4.1 This Chapter provides a summary of the total costs and fees of audit work, the hours charged to auditees, the number of audit opinions issued and the number of reports presented to the Legislative Assembly. This is followed by the results of a survey issued to Chief Executives and the Chief Executive Officers on the quality and effectiveness of the work undertaken by the Auditor-General's Office.

4.2 As a statutory requirement, all Territory agencies are audited by this Office. A total of 85 financial statement audits were completed along with an audit opinion for each statement. Most of the audit opinions were issued under the Financial Management Act, which prescribes a statutory reporting timetable.

ASSESSMENT OF PERFORMANCE AGAINST MEASURES

Costs and Fees

4.3 Table 4.1 summarises the costs and fees for financial audits for the financial year 2001-2002 and the previous three years. It also shows the planned budget for 2002-2003.

Measures	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Planned	2001-02 Actual	2002-03 Planned
Costs and Fees:						
Internal costs	\$1.082m	\$1.13m	\$1.092m	\$1.580m	\$1.232m	\$1.408m
Contract audit costs	\$0.592m	\$0.684m	\$0.696m	\$0.570m	\$0.604m	\$0.500m
Total costs	\$1.674m	\$1.814m	\$1.788m	\$2.150m	\$1.836m	\$1.908m
Audit cost per hour excluding contract costs	\$62.82	\$59.17	\$61.20	\$73.49	\$69.68	\$74.10
Fees charged	\$1.558m	\$1.865m	\$1.766m	\$2.165m	\$2.111m	\$2.066m

4.4 *Total costs:* The total costs charged to financial audits were \$1.836m compared with a planned cost of \$2.150m. The actual costs were also more than the costs incurred in 2000-2001, which was \$1.788m.

4.5 *Audit cost per hour excluding contract costs:* The average audit cost per hour (excluding contract costs) of financial audits was \$69.68. This was less than the planned cost of \$73.49 but more than the actual hourly cost of \$61.20 achieved in 2000-2001.

4.6 *Fees charged:* The total costs of financial audits were \$314,000 less than the amount planned. The same was true of the fees charged for audits, with \$2.111m being charged for 2001-2002 compared with a planned fees of \$2.165m.

Quantity

4.7 Table 4.2 below summarises the total hours charged to audits and audit opinions issued on financial statements for the financial year 2001-2002 and the previous three years. It also shows the planned budget for 2002-2003.

Measures	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Planned	2001-02 Actual	2002-03 Planned
Total hours charged to audits	17,223	19,097	17,841	21,500	17,679	19,000
Number of Audit Opinions issued on financial statements	74	74	74	79	85 ³	80
Number of reports presented to the Legislative Assembly	1	1	1	1	1	1

4.8 *Number of Audit opinions issued on financial statements:* During 2001-2002, 85 financial statement audits were completed along with an audit opinion for each statement. A complete list of audits completed in 2001-2002 is provided in *Appendix 2*.

³ A full listing of audits completed in 2001-2002 is included in *Appendix 2*.

4.9 *Total Hours Charged to Audits:* The hours charged to financial statement audits in 2001-2002 were 17,679. This compares with 17,841 hours charged in 2000-2001. The reduction in hours charged, notwithstanding a requirement to provide an additional 11 audit opinions than in 2000-2001, reflects continuing refinement of audit methodology and staff efficiency.

Quality/Effectiveness

4.10 *Chief Executives' 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. All Chief Executives responded to the survey. Fourteen ranked the Office's performance as good or very good and one ranked the performance as satisfactory.

4.11 Table 4.3 shows the Chief Executives and Chief Executive Officers satisfaction with the financial audit.

Table 4.3 – Performance Measures – Quality/Effectiveness						
Measures	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Planned	2001-02 Actual	2002-03 Planned
Audits performed to Professional Standards	Independent performance audit	Internal assessment	Internal assessment	Internal assessment	Internal assessment	Internal assessment
Chief Executives' satisfaction	Not measured	100%	86.7%	90%	100%	90%

Timeliness

4.12 Table 4.4 on the following page shows the percentage of financial statement audit opinions issued within 30 days of receipt of the signed financial statements for the financial year 2001-2002, the previous three years and the percentage anticipated for 2002-2003.

Table 4.4 – Performance Measures – Timeliness

Measures	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Planned	2001-02 Actual	2002-03 Planned
Audits completed within the statutory time period	100%	100%	100%	100%	94%	90%

4.13 The *Auditor-General Act* requires audit opinions on financial audits to be issued within 30 days of receipt of the signed financial statements. The Office completed 94% of audits within this statutory time period.

Summary

4.14 Overall, the Office of the Auditor-General performed to a satisfactory level when assessed against the performance measure targets for the financial statement audits. Most variations against targets were better than the expected results.

AUDIT REPORT ON FINANCIAL STATEMENT AUDIT OUTCOMES

4.15 A summary of agencies' financial statement audits was presented in *Financial Audits with Years Ending to 30 June 2001* (Report No. 11 2001).

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

5. OVERVIEW OF FINANCIAL PERFORMANCE

INTRODUCTION

5.1 This Chapter summarises the Office's overall financial performance for 2001-2002 and provides comments on the major influences on the financial results.

5.2 The Chapter also includes the performance measures that the Office used to assess the efficiency of its overall performance. Measures specifically for performance and financial audits are presented in Chapters 3 and 4 of this Report, respectively.

BACKGROUND

Financial Arrangements

5.3 In 2001-2002, major sources of funds consisted of an appropriation of \$0.925m to finance performance audits and audit fees of \$2.111m which were paid by Territory departments, statutory authorities and other auditees to meet the costs of financial statement audits. The total costs of operating the Auditor-General's Office are met from these two sources.

Setting Audit Fees⁴

5.4 Fees for financial statement audits undertaken by Office staff for the year ended 30 June 2002 were set on the basis of the previous year's fees to which was added an amount equivalent to the CPI increase for the year.

5.5 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 Office staff.

⁴ 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 Statement of Financial Performance

5.6 Table 5.1 summarises the Office's Statement of Financial Performance.

	Budget 2001-2002 \$000	Actual 2001-2002 \$000	Actual 2000-2001 \$000	Actual 1999-2000 \$000
Revenue				
Appropriation for Performance Audits	925	925	909	904
Audit Fees	2,165	2,111	1,766	1,865
Interest and Other Revenue	15	6	4	4
	3,105	3,042	2,679	2,773
Expenditure				
Employee Expenses	1,825	1,745	1,611	1,631
Contractors	610	651	735	795
Other Operating and Administrative Expenditure	615	490	439	452
Depreciation	25	30	21	13
	3,075	2,916	2,806	2,891
Operating Surplus/(Deficit)	30	126	(127)	(118)
<i>Comprising:</i>				
Performance Audits	0	(155)	(109)	(173)
Financial Statement Audits	30	281	(18)	55

Comments on Major Revenue and Expenditure Items

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

Revenue Items

5.8 *Appropriation for Performance Audits* — The Office's appropriation budget is determined by a procedure set out in the *Auditor-General Act*

1996. After consultation with the Auditor-General, the Chair of the Public Accounts Committee advises the Treasurer of the level of funding the Committee considers appropriate for the Office. The amount appropriated for 2001-2002 was \$0.925m. The appropriated amount was fully drawn during the year.

5.9 *Audit Fees* — Revenue from audit fees was \$2.111m in 2001-2002. This represents an increase of \$0.345m or 16.3% over 2000-2001. During 2000-2001, \$0.176m was brought to account as Revenue in Advance in the Statement of Financial Position. Excluding the effect of the revenue in advance, the increase in audit fees was \$0.169m, comprising an 8% increase over 2000-2001 due mainly to additional financial audits undertaken in 2001-2002 (see Table 4.1 in Chapter 4).

5.10 Actual audit fees in 2001-2002 were \$0.054m (or 2.6%) under the budget estimate.

Expenditure Items

5.11 *Employee Expenses* — Employee expenses were \$1.745m in 2001-2002. This represents an increase of \$0.134m or 7.6% from 2000-2001. The increase can be attributed to the renegotiated pay agreement (AWA) along with an increase in associated employee on-costs. The increase in employee expenses was partly offset by a decrease in payments to contractors. Actual employee expenses were \$0.08m or 4.6% under the budget estimate.

5.12 *Contractors* — Fees paid to contractors for the conduct of financial statement audits and for assistance in the conduct of performance audits were \$0.651m. This figure was 6.3% above the budget estimate and 12.7% below the amount spent in 2000-2001.

5.13 The decrease in expenditure over the previous year was due mainly to the decision to in-source two major financial statement audits, previously audited by contractors. Expenditure was above the budget estimate. This was due mainly to some contracted major financial statement audits exceeding their expected costs as a result of their complexity and problems encountered by the contractors during the audits.

5.14 *Other Operating and Administrative Expenditure* — Administrative expenditure was \$0.49m. This was an increase of \$0.05m or 10.2% from

2000-2001, which is mainly attributable to increased training for staff and additional costs for computer software licence fees.

5.15 Actual administrative expenditure in 2001-2002 was \$0.125m or 25.5% below the budget estimate. This was mainly due to Information Technology modernisation charges being significantly less than anticipated.

Operating Result

5.16 The Office’s operating result in 2001-2002 was a surplus of \$0.126m. This was \$0.253m more than the outcome for 2000-2001 and \$0.096m more than the budgeted surplus.

Short-term Financial Position

5.17 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 1:1 to 1.5:1 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.

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

	2001-02	2000-01	1999-00
	\$000	\$000	\$000
Current Assets			
Cash	142	135	68
Receivables	670	615	748
Tax Assets	34	33	0
Other	12	2	9
	859	786	825
Current Liabilities			
Creditors and Accruals	136	73	200
Employment Entitlements	219	149	217
Tax Liabilities	68	80	0
Other	11	176	7
	434	478	424
Net Current Assets	425	308	401
Current Ratio	2.0:1	1.6:1	2.0:1

5.19 The Office's ratio of 2.0:1 indicates a strong short-term financial position.

EXTERNAL AUDIT OF FINANCIAL STATEMENTS

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

5.21 The Treasurer, in accordance with the *Auditor-General Act 1996*, appointed the independent auditor. The independent auditor provided an unqualified audit opinion to the Treasurer on 19 August 2002.

PERFORMANCE MEASURES

5.22 The performance measures used by the Office to assess the efficiency of its overall performance are set out in Table 5.3.

5.23 Details of specific performance measures for financial statement audits and performance audits are included in Chapters 3 and 4, respectively.

Assessment of Performance Against Measures

Costs

5.24 Table 5.3 summarises the Overall Costs for the financial year 2001-2002 and the previous three years. It also shows the planned budget for 2002-2003.

Table 5.3 – Auditor-General’s Office Overall Performance

Measure	1998-99 Achieved \$m	1999-00 Achieved \$m	2000-01 Achieved \$m	2001-02 Planned \$m	2001-02 Achieved \$m	2002-03 Planned \$m
Costs						
Internal costs	1.751	2.096	2.072	2.465	2.266	2.331
Contract audit costs	0.829	0.795	0.734	0.610	0.650	0.560
Total costs	2.580	2.891	2.806	3.075	2.916	2.891
Audit cost per hour excluding contract costs	\$66.19	\$64.05	\$65.68	\$75.85	\$74.12	\$71.72

5.25 *Total Costs:* Total actual costs of \$2.916m for 2001-2002 were below the planned costs by \$0.159m, but were \$0.11m higher than the previous year’s costs. The decreased costs from the budget estimates were largely due to lower than expected employee expenditure and less than expected Information Technology modernisation charges.

5.26 *Audit cost per hour excluding contract costs:* The average audit cost per hour (excluding contract costs) of all audits was \$74.12. This was less than the planned cost of \$75.85 but was more than the actual hourly cost of \$65.68 achieved in 2000-2001. The lower hourly cost than planned resulted from a lower internal costs than originally planned.

Quantity

5.27 Table 5.4 summarises the Overall Performance for the financial year 2001-2002 and the previous three years. It also shows the planned budget for 2002-2003.

Table 5.4 – Auditor-General’s Office Overall Performance

Measure	1998-99 Achieved	1999-00 Achieved	2000-01 Achieved	2001-02 Planned	2001-02 Achieved	2002-03 Planned
Revenue	\$2.623m	\$2.773m	\$2.679m	\$3.105m	\$3.042m	\$3.007m
Quantity:						
Total hours charged to audits	26,450	32,725	31,545	32,500	30,573	32,500
Audit hours as a % of total standard hours	66%	70%	68%	67%	67%	67%
Number of Reports presented to the Legislative Assembly	10	2	17	16	12	9

5.28 Total hours charged to audits: The total number of hours charged to audits was 30,573 compared with a planned 32,500 hours. Actual hours spent on financial statement audits was less than the budget estimates by 3,821 hours. The actual hours spent on performance audits were higher than the budget estimates by 1,894 hours. This reflects the decision to undertake more performance audit work in the non-peak financial audit period.

5.29 Audit hours as a percentage of total standard hours: The chargeable audit hours, as a percentage of standard hours, was 67%, which was the target for 2001-2002 and reflects the planned productivity of Office staff.

5.30 Number of reports presented to the Assembly: Twelve reports were presented to the Legislative Assembly compared with the target of 16. The shortfall was in the number of performance audit reports. The shortfall in performance audit reports is discussed further in Chapter 3. The reports tabled comprised 10 performance audit reports, the Office’s 2000-2001 Annual Management Report and the annual report on the outcomes of financial statement audits completed in 2000-2001.

Summary

5.31 The performance of the Auditor-General’s Office was reasonable when assessed against the performance measure targets. The shortfall in

meeting performance measure targets was in the area of the quantity of performance reports presented to the Legislative Assembly.

FINANCIAL OUTLOOK FOR 2002-2003

5.32 The 2002-2003 Budget Estimates presented to the Legislative Assembly on 25 June 2002 advised that an operating surplus of \$0.116m in 2002-2003 was budgeted for.

5.33 Total revenue was budgeted to be \$3.007m. This amount includes revenue of \$2.064m from financial statement audit fees and an appropriation of \$0.943m for the conduct of performance audits.

5.34 Total expenditure was budgeted to be \$2.891m. This amount includes employee and administrative expenditure of \$1.745m and \$1.121m, respectively.

5.35 Revenue and expenditure are expected to fall marginally over the 2001-2002 actual results. The Office's operating result of a surplus of \$0.116m is expected to be relatively consistent with the 2001-2002 surplus of \$0.126m.

5.36 The Office plans for the number of hours charged to audits to be 32,500. An average cost rate of \$71.72 per hour will result.

6. RISK MANAGEMENT

INTRODUCTION

6.1 This Chapter defines risk management within the context of the functions of the Auditor-General. It also summarises the objectives and types of risks associated with audit activity and discusses the various strategies adopted by the Office to deal with a range of risks so the broader objectives of risk management can be achieved.

6.2 Risk is defined as ‘the chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood’.⁵ Further, risk management is defined as ‘The systematic application of management policies, procedures and practices to the tasks of identifying, analysing, assessing, treating and monitoring risk’.⁶

6.3 For the purposes of fulfilling the functions of the Auditor-General, risk management is predominantly about ensuring Office policies, procedures, auditing standards and practices are followed in the preparation of accurate, relevant and useful information on the management of public sector resources for the Legislative Assembly.

6.4 The Auditor-General’s Office measures its risks in terms of the nature and likelihood of a particular risk occurring, its possible consequences and implications for the operations of the Office.

OBJECTIVES

6.5 The key objective to managing risks in the Auditor-General’s Office is to ensure that the Legislative Assembly continues to be provided with impartial, accurate and relevant information on the management of public sector resources. This is achieved through the application of high-level technical expertise, professionalism, openness and transparency in producing performance and financial reports without compromising quality and cost.

⁵ AS/NZS 4360: 1995

⁶ *ibid*

TYPES OF RISKS

6.6 In undertaking the functions of the Auditor-General, the Office deals with two broad types of risks. These relate to the Office's products (i.e. performance audit reports and financial audit opinions) and its administration. These risks can arise from both internal and external sources.

6.7 The primary risk involved in any performance audit report is that it confers inaccurate opinions or includes inaccurate findings. Not according administrative justice (eg procedural fairness) to the auditee is also a risk. A further risk that could arise during the performance audit process is the unauthorised release of a draft report.

6.8 The main risk involved financial auditing is giving an inappropriate audit opinion when the financial information is materially misstated.

6.9 The risks involved in administering the Auditor-General's Office are those inherent in small organisations. The principal risk identified relates to the possibility of clerical mistakes or administrative error. Other risks relate to ensuring the integrity and reliability of financial and non-financial information, as well as safeguarding the Office's funds and assets from loss through fraud or as a result of other occurrences. Importantly, this also includes safeguarding the confidentiality of audit evidence and audit work-in-progress.

6.10 The realisation of these risks could compromise the reputation and integrity of the Auditor-General's Office and its accountability to the Legislative Assembly. Realisation of these risks could also adversely affect transparency of decision-making and the allocation and use of public sector resources.

STRATEGIES

6.11 To manage the above risks, the Auditor-General's Office has put in place a number of strategies to ensure the policies, aims and objectives of the Office are achieved.

6.12 The following strategies are employed during the performance and financial audit process:

- all audit work is subject to planning and engagement management, risk based methodology, internal quality control, assurance processes and staff work review;
- all work is undertaken by experienced and professionally qualified staff;
- all work is undertaken in accordance with applicable Australian Auditing Standards;
- relevant agency staff are actively engaged throughout the audit process for the purposes of obtaining and verifying information;
- preliminary drafts of audit reports are provided to the relevant agency staff for the purposes of eliciting their comments to gauge the accuracy of the audit opinion along with the appropriateness of suggestions made; and
- before publication a final draft of a proposed performance audit report is provided to the relevant Chief Executive(s) or Chief Executive Officer(s) in accordance with section 18 of the *Auditor-General Act 1996* for their response to the report.

6.13 Other strategies that the Office uses to manage the inherent risks associated with performance and financial auditing include:

- Managers closely monitor and supervise contracted audit work;
- Managers assess and identify risk indicators on a regular basis;
- Directors closely monitor all risk management measures and maintain records of such reviews; and
- safeguarding the confidentiality of all audit reports by limiting the access of draft reports to internal personnel, limiting the number of draft reports circulated for comment, advising recipient of draft reports of their confidential nature, and appropriately securing all relevant audit documentation.

6.14 Appropriate policy and procedures have been established and maintained to manage risk associated with general operations of the Auditor-General's Office. However, the risks involved have been assessed as low due to small size of the Office and its limited involvement in high-risk activities such as cash management and procurement.

STATEMENT OF RESPONSIBILITY FOR INTERNAL CONTROL

6.15 There is clearly a strong link between effective risk management and sound internal control. The risk management strategies described above reflect a system of internal control established and maintained to provide reasonable assurance regarding the achievement of the operational and financial objectives of the Auditor-General's Office.

6.16 In recent years, jurisdictions in Australia and overseas have sought to focus the attention of the Chief Executive Officer or Board of an entity in both the public and private sectors on the importance of corporate governance. One approach adopted has been to require the Chief Executive Officer or Board to acknowledge their responsibilities to improve and monitor the performance of the entity by providing firstly, a statement of responsibility, and secondly a certificate indicating whether a system of internal control was in place and operated effectively throughout the year.

6.17 Accordingly, the Auditor-General has prepared and signed, for inclusion in this Management Report, a *Statement of Responsibility for Internal Controls*.

6.18 The statement of responsibility and accompanying certificate are not required by legislation in the ACT. However, provision of a statement and certificate represents best practice in corporate governance. A recommendation to require such a statement will be included in a performance audit report to be presented to the Legislative Assembly later this year.

CONCLUSION

6.19 The Office of the Auditor-General is cognisant and rigorous in its management of risks associated with the carrying out of audit activity to fulfil the functions of the Auditor-General as well as support the Office's overall objectives. The Office has developed specific strategies to minimise the likelihood of such risks occurring during the process of producing a performance audit report, completing a financial audit, and general Office administration.

7. WHOLE OF GOVERNMENT ISSUES

INTRODUCTION

7.1 The Chief Minister's Department's Annual Report Directions requires all Territory agencies to report on certain Whole of Government issues in their annual reports. Information on these issues permits the monitoring of the achievement of key issues by Territory agencies. Although the Auditor-General is not required to comply with these directions, the Whole of Government issues referred to in the directives on reports are included in the following sections of the Chapter.

MULTICULTURAL FRAMEWORK

7.2 The *Framework for a Multicultural Australian Capital Territory 2001-2005* outlines the Territory's vision for a multicultural ACT. This vision is 'to strengthen partnerships among government, business and community sectors so that cultural and linguistic diversity continues to be embraced, valued and utilised in the ACT'.

7.3 Half of the Office staff come from a multicultural background. The Office promotes an inclusive workplace through ensuring that all Office staff enjoy equal rights, responsibilities and opportunities to participate in and contribute to the Office's objectives.

7.4 In particular, the Office has undertaken the following action in support of a multicultural framework to support its vision and objectives:

- the Office enables staff to take leave from work to attend significant cultural events; and
- the Office ensured that cross-cultural issues were included in staff orientation, team training and professional development programs.

7.5 In addition to the above measures, the Auditor-General's Office is committed to undertaking the following actions in 2002-2003 to advance its multicultural framework:

- as appropriate, the Office will progressively integrate the '*Framework for a Multicultural Australian Capital Territory 2001-2005*' into its strategic and operational planning processes;

- all Office staff will be encouraged to participate in Cultural Awareness Training. For Executives the need for such training will be included in their individual performance agreement;
- this Office will update its website to incorporate information on how to access interpreter assistance, if required; and
- the Office will encourage staff with language skills other than English to become accredited with the National Accreditation Authority for Translators and Interpreters.

FRAUD PREVENTION AND ETHICAL STANDARDS

7.6 Risks of fraud are considered low as the Office is a small agency and handles no cash other than petty cash. This Office has in place policies and practices on appropriate ethical standards to ensure against fraud and corruption in the Office.

7.7 All Office staff are members of professional bodies and guided by their ethical standards. Staff also follow policies and practices on appropriate ethical standards set by the Auditor-General.

7.8 In December 2001, the Office reviewed its delegations and procedures for staff time sheets, payments to contractors, petty cash, and travel and parking claims with a view to ensuring that these practices are sound.

7.9 In 2002-2003, the Office will update its Code of Conduct, including standards of ethical behaviour. As part of keeping up-to-date with the field of fraud prevention generally, the Office will support a staff member to attend and complete the 'Graduate Certificate IV Fraud Prevention' in 2003. The acquisition of this knowledge will benefit the Office overall and in the conducts of its audits.

7.10 In the year ended 30 June 2002 no fraudulent activity or unethical behaviour was detected in the Office's operations.

EQUITY AND DIVERSITY

7.11 The Auditor-General takes direct responsibility for all equity and diversity issues. The Office continues to promote and maintain equity and diversity and incorporates these principles in relation to employment

matters and through its internal consultative mechanisms. It also promotes a harassment free environment for all employees.

7.12 Relevant diversity statistics at 30 June 2002 are as follows:

Position	Male	Female	Total	NESB	ATSI	Disabled
Auditor-General	1	-	1	-	-	-
Director	2	-	2	-	-	-
Audit Manager	5	-	5	2	-	-
Audit Senior	4	3	7	6	-	-
Auditor	5	2	7	4	-	-
Administrative Officer	-	2	2	-	-	-
TOTAL	17	7	24	12	-	-

7.13 The Office as a whole considers staff opinion and feedback on equity and diversity issues. Additionally, the open working relationships in a compact office allow for individual staff to express their opinions and preferences freely. Because of Office's size, staff are encouraged and able to participate in all Office operations and in developing work-related procedures which affect them.

7.14 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, Legislative 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 audit reports.

CERTIFIED AGREEMENT

7.15 The Auditor-General is appointed under the *Auditor-General Act 1996* and the Australian Capital Territory Remuneration Tribunal determines his remuneration. All other staff are employed under the *Public Sector Management Act 1994*.

7.16 Two Directors (Performance and Financial) are employed at Director Level 1.1. The Australian Capital Territory Remuneration Tribunal determined the nature of their remuneration.

7.17 An Australian Workplace Agreement covers Managers, Audit Seniors, Auditors and administrative staff. The Agreement was collectively negotiated and signed by all staff in early 2001-2002 and expires in June 2003.

STAFFING

7.18 Table 7.2 shows the staff on the payroll at 30 June 2002.

	1999	2000	2001	2002
Full-Time	24	25	22	23
Part-Time			1	1
TOTAL	24	25	23	24

7.19 At 30 June 2002, the number of staff employed in the Office was 24. This compares with 23 staff in the previous year. The full-time equivalent staffing level at 30 June 2002 was 22.8 staff.

WORKER’S COMPENSATION

7.20 There have been no worker’s compensation claims in the year ended 30 June 2002. There were also no ‘open’ claims at 30 June 2002.

TRAINING AND STAFF DEVELOPMENT

7.21 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.

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

7.23 Total expenditure on training and development as disclosed in the Financial Statements was \$36,710, which is equivalent to 2.6% of all staff 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 higher.

7.24 All staff prepare individual work performance plans, which are subject to careful review by the relevant supervisor and provide clear information on performance expectations, goals and timeframes.

7.25 The Office actively encourages all 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 key stakeholders.

7.26 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.

7.27 During 2001-2002, the following staff completed the Graduate Certificate in Performance Auditing conducted by the University of Canberra:

- Michael Lai; and
- Adrian Dalanon.

7.28 This certificate program is an international first. The Office contributed to its development. The staff mentioned above were among a small group who graduated during the program's inaugural year.

7.29 During 2001-2002, the following staff member completed the Advanced Diploma in Business Accounting conducted by Canberra Institute of Technology:

- Katinka Mutandadzi.

CONSULTANCY AND CONTRACTOR SERVICES

7.30 During 2001-2002, several private firms were contracted to assist with various audits. Details are provided in Table 7.3. 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.

7.31 Table 7.3 summarises the Office’s Consultancy and Contractor Expenses.

Firm	Date Contract Let	Financial Audits \$	Performance Audits \$	Total \$
Acumen Alliance	1 April 1999	13,167		11,600
Peter Bayne	8 May 2001 28 August 2001		4,320	4,320
Consultecon Pty Ltd	15 March 2002		42,000	42,000
Deloitte Touche Tohmatsu	20 April 2000	7,500		7,500
Duesburys	1 April 1999	11,300		18,700
Ernst & Young	1 April 1999 20 April 2000	74,100		74,100
KPMG	20 July 2001 14 June 2002	121,475		121,475
PricewaterhouseCoopers	9 May 2000 1 April 2002	352,950		352,950
Walter & Turnbull	20 April 2000	23,750		23,750
TOTAL		\$604,242	\$46,320	\$650,562

7.32 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

7.33 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 Auditor-General is of the view 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 Auditor-General's Office listed in Chapter 1.

7.34 No transactions of a nature requiring disclosure under AAS 22 occurred during 2001-2002.

7.35 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 an Executive Director in Walter & Turnbull, which has conducted financial audits under contract for the 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.

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

FREEDOM OF INFORMATION

7.37 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 such documents. Chapter 1 provides detailed information on the Office's organisation, functions and powers.

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

7.39 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 Standing Committee on Finance and Public Administration also closely reviews the reports. When taken together,

these reviews mean that the Auditor-General's Office is subject to extensive external scrutiny.

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

7.41 In the conduct of performance and financial 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 website and on request from the Office.

PUBLIC INTEREST DISCLOSURE

7.42 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 2001-2002 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.

7.43 Separately from public interest disclosures the Office regularly receives written and verbal information from members of the public on suspected areas of mismanagement or inefficiencies in Territory agencies. This information is considered seriously and is taken into account in the planning of future audits.

OCCUPATIONAL HEALTH AND SAFETY

7.44 The Auditor-General's Office manages Occupational Health and Safety activities in accordance with the *Occupational Health and Safety Act 1989* (OH&S Act). 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 in the Chief Minister's Department.

7.45 Two Health and Safety Representatives represented Office staff during 2001-2002. Two staff attended a first aid course and acted as first

aid officers during the year. Two fire wardens also attended training in fire evacuation procedures and staff participated in fire evacuation training in the same year.

7.46 There were no notices issued to the Office under sections 76 or 77 of the OH&S Act. Also, no direction was issued under section 78 and no workplace incident occurred to cause the giving of notice under section 85 of the OH&S Act.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT

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

7.48 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.

OTHER REPORTING REQUIREMENTS

7.49 No matters occurred which required reporting in regard to the following:

- Commissioner for the Environment;
- Aboriginal and Torres Strait Islander Reporting;
- Customer Focussed Public Service;
- Asset Management Strategy;
- Capital Works Management;
- Government Contractual Debts (Interest) Act 1994; and
- Ownership agreement.

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 2002**

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 2001 to 30 June 2002, 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
August 2002

**Statement of Financial Performance
for the Year Ended 30 June 2002**

Actual 2000-2001 \$		Note	Actual 2001-2002 \$	Budget 2001-2002 \$
<hr/>				
REVENUE FROM ORDINARY ACTIVITIES				
909,000	Appropriation – Performance Audits		925,000	925,000
1,765,817	Audit Fees		2,111,401	2,165,000
4,244	Interest		4,095	15,000
0	Other Revenue		1,645	0
2,679,061	Total Revenue from Ordinary Activities		3,042,141	3,105,000
EXPENSES FROM ORDINARY ACTIVITIES				
1,610,621	Employee Expenses	2(b),3	1,745,565	1,825,000
1,173,689	Operating and Administrative Expenses	4	1,140,179	1,225,000
21,363	Depreciation	2(c),5	29,903	25,000
2,805,673	Total Expenses from Ordinary Activities		2,915,647	3,075,000
(126,612)	Operating Surplus/(Deficit) from Ordinary Activities	6	126,494	30,000
(126,612)	Change in Equity other than those resulting from transactions with Owners as owners	16	126,494	30,000

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2002

Actual 2001 \$		Note	Actual 2002 \$	Budget 2002 \$
CURRENT ASSETS				
134,546	Cash	7	141,703	184,000
615,241	Receivables	8	670,610	583,000
33,489	Tax Assets	9	33,861	0
2,273	Other	10	11,879	0
785,549	Total Current Assets		858,053	767,000
NON-CURRENT ASSETS				
90,069	Plant and Equipment	11	120,726	73,000
90,069	Total Non-Current Assets		120,726	73,000
875,618	Total Assets		978,779	840,000
CURRENT LIABILITIES				
72,635	Payables	12	135,789	199,000
149,223	Provisions	13	218,946	106,000
80,202	Tax Liabilities	14	67,535	0
176,252	Other	15	10,754	0
478,312	Total Current Liabilities		433,024	305,000
NON-CURRENT LIABILITIES				
156,993	Provisions	13	147,757	118,000
0	Other	15	31,191	0
156,993	Total Non-Current Liabilities		178,948	118,000
635,305	Total Liabilities		611,972	423,000
240,313	Net Assets		366,807	417,000
EQUITY				
240,313	Retained Profits	16	366,807	417,000
240,313	Total Equity		366,807	417,000

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

**Statement of Cash Flows
for the Year Ended 30 June 2002**

Actual 2000-2001 \$		Note	Actual 2001-2002 \$	Budget 2001-2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS				
909,000	Appropriation for Performance Audits		925,000	925,000
2,008,868	Audit Fees		1,884,299	2,165,000
4,244	Interest		3,095	15,000
0	Other Revenue		1,645	0
139,385	GST Collected on Delivery of Service		185,432	111,000
81,395	GST Refund from Australian Taxation Office		107,455	93,000
3,142,892	Total Inflows from Operating Activities		3,106,926	3,309,000
PAYMENTS				
1,543,004	Employee Expenses		1,676,344	1,825,000
1,290,690	Administrative Expenses		1,059,007	1,225,000
109,421	GST Payment on Receipt of Good or Service		103,865	93,000
105,152	GST Remittance to Australian Taxation Office		199,993	119,000
3,048,267	Total Outflows from Operating Activities		3,039,209	3,262,000
94,625	Net Cash Inflows from Operating Activities	18	67,717	47,000
CASH FLOWS FROM INVESTING ACTIVITIES				
RECEIPTS				
0			0	0
0	Total Inflows from Investing Activities		0	0
PAYMENTS				
(28,223)	Purchase of Property, Plant & Equipment		(60,560)	0
(28,223)	Total Outflows from Investing Activities		(60,560)	0
(28,223)	Net Cash (Outflows) from Investing Activities		(60,560)	0
66,402	Net Increase in Cash Held		7,157	47,000
68,144	Cash at the Beginning of the Financial Year		134,546	137,000
134,546	Cash at the End of the Financial Year	7	141,703	184,000

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

**Statement of Appropriation
for the Year Ended 30 June 2002**

2000-2001 Appropriation Drawn \$	Notes	2001-2002 Original Budget \$	2001-2002 Total Appropriated \$	2001-2002 Appropriation Drawn \$
909,000	Appropriation for performance audits	925,000	925,000	925,000
0	Capital Injections	0	0	0
0	Expenses on behalf of the Territory	0	0	0
909,000	Total	925,000	925,000	925,000

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 2002**

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 Australian Accounting Standards and other mandatory professional reporting requirements where applicable. The report has been prepared using historical cost accounting and the accounting policies adopted are consistent with those of the previous year.

(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 except where a staff member has indicated that they will take long service leave within the next 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 |

(d) Superannuation Expense

An amount of \$176,822 (\$144,767 in 2000-2001) was paid to meet the accrued superannuation expense for staff in the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme.

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 \$38,724 (\$40,302 in 2000-2001).

(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 Public Accounts 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 and the estimated fee for 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.

(f) Leases

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

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on a straight line basis over the lease term (five years).

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

3. Employee Expenses

Employee Expenses comprise:

	2001-2002	2000-2001
	\$	\$
Salaries	1,405,203	1,319,580
Annual Leave	16,545	(11,081)
Long Service Leave	38,737	38,713
Superannuation		
- Auditor General [see Note (2d)]	38,724	40,302
- Other Staff [see Note (2d)]	176,822	144,767
Temporary Audit Staff – Financial Audits	69,534	78,340
	<u>1,745,565</u>	<u>1,610,621</u>

4. Operating and Administrative Expenses

	2001-2002	2000-2001
	\$	\$
Audit Contractors- Performance audits	46,320	38,444
- Financial audits	<u>604,243</u>	<u>696,176</u>
	650,563	734,620
Fringe Benefits Tax	38,738	29,426
Rental and Property expenses	118,002	125,186
IT Expenses	97,982	85,444
Computer Software and Consumables	22,702	15,382
Library Journals and Subscriptions	26,743	25,989
Printing	22,957	34,213
Telephones	18,394	14,991
Payroll and Recruitment Processing	16,350	12,369
Training	36,710	21,732
Vehicle Lease Expenses	36,576	20,877
Other	54,462	53,460
	<u>1,140,179</u>	<u>1,173,689</u>

5. Depreciation Expense

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

	2001-2002	2000-2001
	\$	\$
Office Fitout	8,767	3,720
Office Equipment	1,180	663
Computer Equipment	18,671	15,695
Furniture and Fittings	1,285	1,285
	<u>29,903</u>	<u>21,363</u>

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

6. Reconciliation of Operating Results

	Performance Audit \$'000 2001-2002	Performance Audit \$'000 2000-2001	Financial Audit \$'000 2001-2002	Financial Audit \$'000 2000-2001
REVENUE				
Appropriation	925	909	0	0
Audit Fees Collected	0	0	2,111	1,766
Interest	0	0	4	4
Other Revenue	0	0	2	0
Total Revenue	925	909	2,117	1,770
EXPENSES				
Total Expenses	1,080	1,018	1,836	1,788
Operating Surplus/(Deficit)	(155)	(109)	281	(18)

7. Cash

	2001-2002 \$	2000-2001 \$
Bank	141,203	134,046
Petty Cash	500	500
Total	141,703	134,546

8. Receivables

	2001-2002 \$	2000-2001 \$
Trade Debtors	537,409	519,389
Accrued Financial Audit Income	132,201	95,852
Other Accrued Revenue	1,000	0
Total	670,610	615,241

9. Tax Assets

	2001-2002 \$	2000-2001 \$
GST Paid on Supplies	33,861	33,489
Total	33,861	33,489

10. Other Current Assets

	2001-2002 \$	2000-2001 \$
Prepayments	11,879	2,273
Total	11,879	2,273

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

11. Plant and Equipment

	2001-2002	2000-2001
	\$	\$
Office Equipment (at cost)	30,201	30,201
Less accumulated depreciation	(26,144)	(24,964)
	4,057	5,237
Office Fitout (at cost)	79,161	18,601
Less accumulated depreciation	(13,649)	(4,882)
	65,512	13,719
Computer Equipment (at cost)	93,357	93,357
Less accumulated depreciation	(45,653)	(26,983)
	47,704	66,374
Furniture and Fittings (at cost)	20,927	20,927
Less accumulated depreciation	(17,474)	(16,188)
	3,453	4,739
Total Plant and Equipment (at cost)	223,646	163,086
Less Accumulated Depreciation	(102,918)	(73,017)
	120,726	90,069

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

	2001-2002	2000-2001
	\$	\$
Office Equipment		
Carrying amount at beginning	5,237	0
Additions	0	5,900
Depreciation expense	(1,180)	(663)
Carrying amount at end	4,057	5,237
Office Fitout		
Carrying amount at beginning	13,719	17,439
Additions	60,560	0
Depreciation expense	(8,767)	(3,720)
Carrying amount at end	65,512	13,719
Computer Equipment		
Carrying amount at beginning	66,374	59,747
Additions	0	22,322
Depreciation expense	(18,670)	(15,695)
Carrying amount at end	47,704	66,374
Furniture and Fittings		
Carrying amount at beginning	4,739	6,024
Additions	0	0
Depreciation expense	(1,286)	(1,285)
Carrying amount at end	3,453	4,739

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

12. Payables

	2001-2002	2000-2001
	\$	\$
Creditors and Accruals	135,789	72,635
	135,789	72,635

13. Provisions

	2001-2002	2000-2001
	\$	\$
Current Provisions		
Accrued Salaries	45,374	44,154
Provision for Salary Packaging Expenses	3,985	0
Provision for Long Service Leave	47,973	0
Provision for Recreation Leave	121,614	105,069
	218,946	149,223
Non Current Provisions		
Provision for Long Service Leave	147,757	156,993
	147,757	156,993

14. Tax Liabilities

	2001-2002	2000-2001
	\$	\$
GST Collected on Sales	67,535	80,202
	67,535	80,202

15. Other Current Liabilities

	2001-2002	2000-2001
	\$	\$
Current		
Lease Incentive Liability	9,129	0
Revenue In Advance – Audit Fees	1,625	176,252
	10,754	176,252
Non Current		
Lease Incentive Liability	31,191	0
	31,191	0

16. Retained Profits

	2001-2002	2000-2001
	\$	\$
Carrying Amount at the Beginning of the Year	240,313	366,925
Operating Surplus/(Deficit) from Ordinary Activities	126,494	(126,612)
	366,807	240,313

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

17. Auditor's Remuneration

The Treasurer appointed the auditor. The auditor's remuneration for 2001-2002 is \$5,000 (2000-2001: \$5,000).

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

	2001-2002	2000-2001
	\$	\$
Operating Surplus/(Deficit)	126,494	(126,612)
Depreciation	29,903	21,363
<i>Change in Assets and Liabilities</i>		
Increase/(Decrease) in Payables	63,154	(126,982)
Increase/(Decrease) in Provisions	60,487	(29,070)
Increase/(Decrease) in Tax Liabilities	(12,667)	80,202
Increase/(Decrease) in Other Current Liabilities	(134,307)	169,517
(Increase)/(Decrease) in Receivables	(55,369)	133,093
(Increase) in Tax Assets	(372)	(33,489)
(Increase)/Decrease in Other Current Assets	(9,606)	6,603
Net Cash Inflows/(Outflows) from Operating Activities	67,717	94,625

19. Lease Commitments

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

	2001-2002	2000-2001
	\$	\$
Not later than one year	278,354	275,417
Later than one year and not later than five years	561,677	319,396
Later than five years	0	0
Total	840,031	594,813

Other commitments to financial statement audit contractors exist as follows.

	2001-2002	2000-2001
	\$	\$
Not later than one year	132,187	156,311
Later than one year and not later than two years	132,187	0
Later than five years	0	0
Total	264,374	156,311

20. Contingent Liabilities

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

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

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

	2001-2002	2000-2001
The average staffing levels for the Office during the year were:	22.8	22.35

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:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
Financial Assets			
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.
Financial Liabilities			
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.

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

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:

2001-2002

Financial Assets	Floating Interest Rate	Non Interest Bearing	Total	Effective Interest Rate
Cash	0	141,703	141,703	N/A
Receivables	0	670,610	670,610	N/A
Tax assets	0	33,861	33,861	N/A
Total	0	846,174	846,174	
Financial Liabilities				
Payables	0	135,789	135,789	N/A
Tax Liabilities	0	67,535	67,535	N/A
Total	0	203,324	203,324	

2000-2001

Financial Assets	Floating Interest Rate	Non Interest Bearing	Total	Effective Interest Rate
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
Total	0	783,276	783,276	
Financial Liabilities				
Payables	0	72,635	72,635	N/A
Tax Liabilities	0	80,202	80,202	N/A
Total	0	152,837	152,837	

Auditor-General's Office for the Australian Capital Territory

Statement of Performance for the year ended 30 June 2002

Overall Office Performance			
Measures	Targets	Result	Variance from Target (%)
Costs and Revenue			
1. Internal Costs	\$2.465m	\$2.266m	(8.1)
2. Contract audit costs	\$0.610m	\$0.650m	6.6
3. Total costs	\$3.075m	\$2.916m	(5.1)
4. Audit cost per hour excluding contract costs	\$75.85	\$74.12	(2.3)
5. Revenue	\$3.105m	\$3.042m	(2.0)
Quantity			
6. Total hours charged to audits	32,500	30,573	(5.9)
7. Audit hours as a percentage of total standard hours	67%	67%	0
8. Number of reports presented to the Legislative Assembly	16	12	(25)

Explanations

1. Internal costs were less than target due mainly to lower than anticipated employee costs and information technology modernisation charges.
2. Contract audit costs were higher than target due to additional charges on some audits.
3. Overall total costs were below target due to 1 and 2 above.
4. The audit cost per hour excluding contract costs was lower than target as a result of the lower internal costs.
5. Revenue was less than target due to the shorter timeframe to complete financial audits than originally planned.
6. Total hours charged to audits was below target due to vacant positions not being filled immediately.
7. Audit hours as a percentage of total standard hours were on target.
8. The number of reports tabled in the Legislative Assembly was less than the original target mainly due to resources not being available to complete all audits in progress.

Auditor-General's Office for the Australian Capital Territory

Statement of Performance for the year ended 30 June 2002

Financial Statement Audits				
Measures	Notes	Targets	Result	Variance from Target (%)
Costs and Fees				
(a) Internal Costs	1	\$1.580m	\$1.232m	(22.0)
(b) Contract audit costs	2	\$0.570m	\$0.604m	6.0
(c) Total costs	3	\$2.150m	\$1.836m	(14.6)
(d) Audit costs per hour excluding contract costs	4	\$73.49	\$69.68	(5.2)
(e) Fees charged	5	\$2.165m	\$2.111m	(2.5)
Quantity				
(f) Total hours charged to audits	6	21,500	17,679	(17.8)
(g) Number of audit opinions issued on financial statements	7	79	85	7.6
(h) Number of reports presented to the Legislative Assembly	8	1	1	0
Quality/Effectiveness				
(i) Audits performed to professional standards	9	Internal assessment	Target met	0
(j) Chief Executives satisfaction	10	90%	100%	10
Timeliness				
(k) Audits completed within the statutory time period	11	100%	94%	(6)

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 the lower number of hours charged to financial audits than originally planned.
2. Contract costs were above target due to increased hours spent on some of the more complex and larger audits.
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). The average rate is less than target due to lower internal costs.
5. Fees charged to clients were lower than target due to the shorter timeframe to complete the financial audits and as a result of the shift of audit resources towards performance auditing.
6. The total number of hours actually worked on audits was lower than target due to the shorter timeframe to complete the financial audits and as a result of the shift of audit resources towards performance auditing.
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 2000-01 financial audits. The results of the survey are shown below.

Performance	No. of Responses
Very Good	4
Good	10
Satisfactory	1
Poor	0
Very Poor	0
No Response	0

11. The timetable for the preparation and audit of financial statements was brought forward to allow for the Whole of Government financial statements to be audited and released to the public prior to the ACT Government Election in October 2001. As a result only 4 audits were not completed until after the expiration of the 3 month period following the year end. None of these four audits were considered significant from a Whole of Government perspective.

Auditor-General's Office for the Australian Capital Territory

Statement of Performance for the year ended 30 June 2002

Performance Audits				
Measures	Notes	Targets	Result	Variance from Target (%)
Costs and Appropriation				
(a) Internal Costs	1	\$0.885m	\$1.034m	16.8
(b) Contract audit costs	2	\$0.040m	\$0.046m	15.0
(c) Total costs	3	\$0.925m	\$1.080m	16.8
(d) Audit costs per hour excluding contract costs	4	\$80.45	\$80.19	0
(e) Appropriation	5	\$0.925m	\$0.925m	0
Quantity				
(f) Total hours charged to audits	6	11,000	12,894	17.2
(g) Number of reports presented to the Legislative Assembly	7	15	11	(26.7)
Quality/Effectiveness				
(h) Audits performed to professional standards	8	Internal Assessment	Target Met	0
(i) Legislative Assembly Members' satisfaction with reports quality	9	90%	100%	10
(j) Chief Executives' satisfaction	10	90%	100%	10
Timeliness				
(k) Percentage of audits completed within 9 months	11	100%	30%	(70)

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. Contractors were utilised on 2 audits. The total cost was slightly above target in dollar terms.
3. Total costs comprise AGO costs and contract audit costs. The target was achieved.
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 increased due to a decision to undertake more performance audit work in the non peak financial audit period.
7. The following reports were presented to the Legislative Assembly during the year:

Reports Published in 2001

The Administration of Payroll Tax
 Annual Management Report for the Year Ended 30 June 2001
 Managing Canberra Urban Parks and Open Spaces
 Canberra Tourism and Events Corporation – Relocation to Brindabella Business Park
 Agents Board – Financial Administration of Training Grant Program
 Corrective Services – Review of Certain Allegations
 The Freedom of Information Act

Reports Published in 2002

Special Purpose Review of Part of the Commission of Audit Report on the state of the Territory's Finances at 31 October 2001
 Operation of Public Access to Government Contracts Act
 Governance Arrangements of Selected statutory Authorities
 Frameworks for Internal Auditing in Territory Agencies

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 for the responses received:

Performance	No. of Responses
Very Good	4
Good	8
Satisfactory	3
Poor	0
Very Poor	0
No response	2

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

10. Chief Executive's were surveyed on their satisfaction with performance audit reports and the responses were as follows:

Performance	No. of Responses
Very Good	5
Good	15
Satisfactory	10
Poor	0
Very Poor	0
No response	10

11. This measure covers the performance audits completed and reported in 2001-2002. The size and complexity of some of these audits, along with the consultative process in drafting the report, and competing priorities for resources did not allow all reports to be completed within 9 months of their commencement.

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INDEPENDENT AUDITOR'S REPORT

ACT AUDITOR-GENERAL'S OFFICE

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

Audit Scope

I have audited the financial statements of the ACT Auditor-General's Office for the year ended 30 June 2002 comprising the statement of performance, statement of financial position, statement of cash flows, statement of appropriation and the notes to and forming part of the financial statements. In accordance with Section 28 of the *Financial Management Act 1996*, the preparation and presentation of the financial statements, and the information contained therein, is the responsibility of the Auditor-General. My responsibility is to express an opinion on the financial statements based on my audit as required by Section 29 of the *Financial Management Act 1996*.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with the *Financial Management Act 1996*, applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) so as to present a view of the ACT Auditor-General's Office which is consistent with my understanding of its financial position, the results of its operations and its cash flows.

Audit Opinion

In my opinion, the financial statements of the ACT Auditor-General's Office for the year ended 30 June 2002 present fairly in accordance with the *Financial Management Act 1996*, applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) the financial position of the ACT Auditor-General's Office as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

ROBERT ELLISON, CA
Partner
BENTLEYS MRI
Chartered Accountants
Canberra



Dated: 19/8/02

APPENDIX 2

**FINANCIAL STATEMENT AUDITS COMPLETED IN
2001-2002**

FINANCIAL STATEMENT AUDITS COMPLETED IN 2001-2002

(Includes audits for years ending 30 June 2002 and 31 December 2001)

Whole of Territory Financial Statements

1. Consolidated Annual Financial Statements

Departmental Financial Statement Audits³

2. ACT Executive
3. ACT Forests
4. ACT Housing
5. ACT Superannuation Unit
6. ACT Workcover
7. ACTION – 30 June 2001
8. ACTION – 31 December 2001
9. Central Financing Unit
10. Chief Minister's Department
11. Department of Education and Community Services
12. Department of Health, Housing and Community Care
13. Department of Justice and Community Safety
14. Department of Treasury
15. Department of Urban Services
16. Insurance Management Department period end 31 March 2001
17. InTACT Group
18. Land and Property
19. Legislative Assembly Secretariat

³ 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.

Statutory Authorities

20. ACT Community Care
21. ACT Gambling and Racing Commission
22. ACT Health and Community Care Service
23. ACT Insurance Authority
24. Agents Board of the ACT
25. Australian International Hotel School
26. Building and Construction Industry Training Fund Board
27. Canberra Institute of Technology
28. Canberra Public Cemeteries Trust
29. Canberra Tourism and Events Corporation
30. Cleaning Industry Long Service Leave Board
31. Construction Industry Long Service Leave Board
32. Cultural Facilities Corporation
33. Gungahlin Development Authority
34. Healthpact
35. Independent Competition and Regulatory Commission
36. Kingston Foreshore Development Authority
37. Legal Aid Commission (ACT)
38. National Exhibition Centre Trust (EPIC)
39. Public Trustee for the ACT – Office Account
40. Public Trustee for the ACT – Trust Account
41. Stadiums Authority
42. The Canberra Hospital
43. University of Canberra

Territory Owned Corporations and Other Companies

44. ACTEW China Pty Ltd
45. ACTEW Corporation Ltd
46. ACTEW Distribution Ltd
47. ACTEW Investments Pty Ltd
48. ACTEW Retail Ltd

49. ACTTAB Ltd
50. Bruce Operations Pty Ltd
51. CIT Solutions Pty Ltd
52. Ecowise Environment Pty Ltd
53. Gold Creek Country Club Pty Ltd
54. Totalcare Industries Ltd
55. University of Canberra College Pty Ltd

Land Development Joint Ventures

56. Amaroo 3
57. Dunlop1 – Jarramlee Park
58. Dunlop3 – The Village
59. Gordon 1 / Gordon 9 Southside Estates
60. Harcourt Hill
61. Nicholls Lakeside Estate
62. Palmerston 4

Other Audits

63. ActewAGL Joint Venture
64. ActewAGL Distribution Partnership
65. ActewAGL Retail Partnership
66. ACT Expenditure under the Interstate Road Transport Act 1985
67. Australian Land Transport Development Trust Fund
68. Australian National Training Authority Acquittal
69. Braddon Gardens Joint Venture
70. Canberra Business Development Fund p/e 31 December 2000
71. Canberra Business Development Fund p/e 30 June 2001
72. City Edge Joint Venture
73. Commonwealth State Housing Agreement Specific Purpose Report
74. Community Housing Canberra Ltd
75. Guns Buyback Scheme Acquittal

ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2002

76. Payments to the Commonwealth under the Interstate Road Transport Act 1985
77. Nicholls Primary Joint Facilities
78. Nominal Insurer
79. Receipts and Expenditure under the Roads to Recovery Act 2000
80. The Bruce Property Trust
81. University of Canberra DEST Research Grant Acquittal
82. Williamsdale Quarry Joint Venture
83. Williamsdale Operations Pty Ltd
84. Williamsdale Quarry Pty Ltd
85. Workers' Compensation Supplementation Fund

PREVIOUS AUDIT REPORTS⁷

Reports Published in 2002

1. Special Purpose Review of Part of the Commission of Audit Report on the State of the Territory's Finances at 31 October 2001
2. Operation of the Public Access to Government Contracts Act
3. Governance Arrangements of Selected Statutory Authorities
4. Frameworks for Internal Auditing in Territory Agencies
5. V8 Car Races in Canberra – Costs and Benefits

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
6. Annual Management Report for the Year Ended 30 June 2001
7. Managing Canberra Urban Parks and Open Spaces
8. Canberra Tourism and Events Corporation – Relocation to Brindabella Business Park
9. Agents Board – Financial Administration of Training Grant Program
10. Corrective Services – Review of Certain Allegations
11. Financial Audits with Years Ending to 30 June 2001
12. The Freedom of Information Act

Reports Published in 2000

1. Bruce Stadium Redevelopment — Summary Report
2. Bruce Stadium Redevelopment — Value for Money
3. Bruce Stadium Redevelopment — Costs and Benefits

⁷ 46 Reports were issued prior to 1996. Details can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>.

Reports Published in 2000 (con't)

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
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 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 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 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

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

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>