



AUDITOR-GENERAL
AUSTRALIAN CAPITAL TERRITORY



M04/06

The Speaker
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to present to you the Annual Report of the ACT Audit Office for the year ended 30 June 2004.

This Report has been prepared under Section 6(1) of the *Annual Reports (Government Agencies) Act 2004*, in accordance with the requirements referred to in the Chief Minister's Annual Reports Directions and in conformity with other applicable legislation.

I hereby certify that the attached Annual Report is an honest and accurate account of the operations of the ACT Audit Office during the period from 1 July 2003 to 30 June 2004, that all material information has been included and that the Report complies with the Chief Minister's Annual Reports Directions.

I also hereby certify that fraud prevention has been managed in accordance with the Public Sector Management Standard 1, Part 4.

Section 15(2)(b) and (c) of the *Annual Reports (Government Agencies) Act 2004* requires that you arrange for a copy of this report to be given to each member of the Legislative Assembly on the same day that you receive it and for its subsequent tabling in the Assembly.

Yours sincerely

Tu Pham
Auditor-General
28 September 2004

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AUDITOR-GENERAL'S OVERVIEW

The ACT Audit Office (the Office) experienced a year of significant change following the retirement of the previous Auditor-General and the Director, Performance Audits and Administration. The Office also lost many staff during the year including most performance audit staff.

Despite the operational difficulties, the Office fulfilled its functions and largely met the expectations of the Office's stakeholders, namely the ACT Legislative Assembly, ACT public sector agencies and the ACT community.

The Office successfully completed the annual program of financial statement audits of the Territory and its 86 agencies in accordance with the required timetable. In addition, the Office completed three performance reports, which were well received by the audited agencies and the Assembly. These audits were performed in accordance with professional standards and received consistently good ratings from the Office's stakeholders.

The Office also met other key legislative responsibilities under the *Government Procurement Act 2001* and the *Public Interest Disclosure Act 1994*.

During the year, the Office continued to contribute to promoting public accountability and improving public administration through its other activities such as commenting on relevant legislative issues and draft cabinet submissions, as well as providing advice to agencies, as requested. The increasing demand for such advice reflected the continuing improvement in the relationship with agencies, and the Office's willingness to work with agencies to actively contribute to public accountability and improvement in the delivery of government services.

The year also saw an increase in expectations by the Assembly, the public sector and the general public. This has been reflected in the number and range of requests referred to the Office for attention. In response, the Office plans to work more closely with the ACT Legislative Assembly and its committees (especially the Public Accounts Committee) and government agencies to better target its resources and focus on areas of significance.

Looking forward, the Office will continue to operate within constantly evolving corporate and government environments. Recent national and international developments in response to corporate failures have led to a significant emphasis on accountability and corporate governance. The consequent changes in legislation, regulations, policies and audit standards will bring about new challenges to the operation of this Office. As the key provider of independent and impartial information on ACT public sector accountability and performance to the ACT Legislative Assembly, the Office is looking forward to responding to these emerging challenges in the coming years, and to making a difference to the effective and efficient delivery of the wide range of public services to the ACT community.

The Office also will continue to face a tight financial situation. Although the Office will receive additional funding for 2004-05, it is clear that over recent years, the Office's resources have not kept pace with significant growth in the ACT public sector and the corresponding growth in the Office's workload. From 1999-2000 to 2003-04, the ACT public sector, as measured by total Territory expenditures, increased by 29% while the Audit Office resources, as measured by its actual expenditure, increased by only 9.3%.

Further, the recent pay rises offered in the ACT Public Sector, the anticipated increased fees for audit contractors and the buoyant market for skilled audit and accounting professionals, all are expected to continue to place significant pressures on the Office to meet budgets while at the same time enhancing its capacity to perform all functions effectively. The Office is implementing a number of measures to improve the working environment and to attract and retain appropriately experienced staff.

In the coming years, significant focus will also be placed on improving the timeliness and quality of performance audit reports, as the Office works toward building up its capacity in performance audit to an appropriate level.

The Office also aims to adopt better practice in the management of the Office. In recent years, this has not been given sufficient focus, as the Office's limited resources were mostly allocated to audit tasks.

As Auditor-General since March 2004, I am proud of the achievement of the staff of the Office during this difficult year, and greatly appreciate the effort and commitments of all staff. I would like to take this opportunity to thank Mr Bernie Sheville who acted as Auditor-General for most of the year, and did a wonderful job in leading the Office through this challenging period.

I am also very pleased that staff in the Office have worked together to develop the Strategic Plan 2004-07, which clearly sets out the purpose, objectives and strategies of the Office over the next three years.

I look forward to working closely with all staff in the coming years to ensure that the Office achieves its main objective, that is to have an ACT Legislative Assembly and community well informed on public sector accountability and performance.

Tu Pham
Auditor-General

THE ROLE OF THE ACT AUDIT OFFICE

The Role of the Office

The role and responsibilities of the Auditor-General and hence the ACT Audit Office are set out in the *Auditor-General Act 1996*. The Act provides the Auditor-General with a broad mandate to do anything that is incidental or conducive to carrying out the functions of the Auditor-General, which, amongst other things, are:

- i. to promote public accountability in the public administration of the Territory;
- ii. to audit annual financial statements of the Territory, departments and Territory authorities under the *Financial Management Act 1996*; and
- iii. to conduct performance audits.

This role is fulfilled by reporting the results of financial statement and performance audits to the ACT Legislative Assembly to keep Assembly members informed on the accountability and performance of ACT public sector.

The Office also provides advice and recommendations for improving the management of public sector resources as appropriate.

The Outcome of the Office

The desired outcome is an accountable, effective and efficient ACT public sector.

The Objectives of the Office

The Office's objectives are to:

- i. inform the ACT Legislative Assembly and the community of the performance of the ACT public sector; and
- ii. contribute to improving the performance of ACT public sector agencies.

Values of the Office

The Office upholds the following values in the performance of its work:

Independence: The views expressed by the Office will be impartial and objective.

Integrity: The Office will exhibit the highest standards of ethical behaviour.

Professionalism: The Office's work will be of a consistently high standard and reflects its commitment to become a highly valued organisation.

Respect: The Office will be honest and respectful in its dealings with its stakeholders.

Learning and innovation: The Office will continually seek better ways of performing its work.

The Office's Stakeholders

The Office's stakeholders and the Office's relationship to those stakeholders are set out below.

The ACT Legislative Assembly and the ACT Community

The ACT Legislative Assembly and the ACT community rely on the Office to provide impartial assurance on whether public money is being efficiently and effectively spent and whether financial and performance reports for the Territory and its agencies present a credible, true and fair view of their performance.

ACT Public Sector Agencies

ACT public sector agencies use the work of the Office to assist them in improving their operations. The Office's audit work keeps the agencies accountable for their performance and also assists agencies in meeting their obligation to provide financial and performance reports that present a credible, true and fair view of their performance.

Audit Office Staff

The Office values its staff and aims to provide job satisfaction, professional development and a rewarding career to all staff.

Relevant Legislation

Several Acts have a direct impact on the operations of the Office.

The legislation that has the greatest impact on the Office is the *Auditor-General Act 1996*. Other relevant legislation includes the *Financial Management Act 1996*, *Territory Owned Corporations Act 1990*, *Public Interest Disclosure Act 1994* and *Government Procurement Act 2001*.

Auditor-General Act 1996

The Office operates principally under the *Auditor-General Act 1996* (the Act). This Act requires the Territory to have an Auditor-General and prescribes the functions and powers of the Auditor-General, as well as the administration of the Office.

The Act provides a statutory mandate for the Auditor-General to conduct audits of public sector agencies, including financial audits and performance audits.

The Act supports the independence of the Auditor-General by specifically providing that the Auditor-General and the Auditor-General's Office are not subject to direction by the Executive or any Minister in the exercise of the Office's functions. The Office reports directly to the ACT Legislative Assembly on any matter in the connection with the exercise of its functions.

Financial Management Act 1996

The *Financial Management Act 1996* addresses the financial management and associated accountability requirements of the Territory and its departments and authorities.

This Act requires the Office to audit the financial statements of the Territory and its departments and authorities.

Territory Owned Corporations Act 1990

The *Territory Owned Corporation Act 1990* addresses the financial management and associated accountability requirements of Territory owned corporations (TOCs).

TOC's are required to appoint the Auditor-General as their statutory auditor under the *Corporations Act 2001*. Consequently the Office performs the audit of the financial statements of all TOC's under the *Corporations Act 2001*.

Public Interest Disclosure Act 1994

The Auditor-General is a 'proper authority' for the receipt of disclosures under the *Public Interest Disclosure Act 1994*.

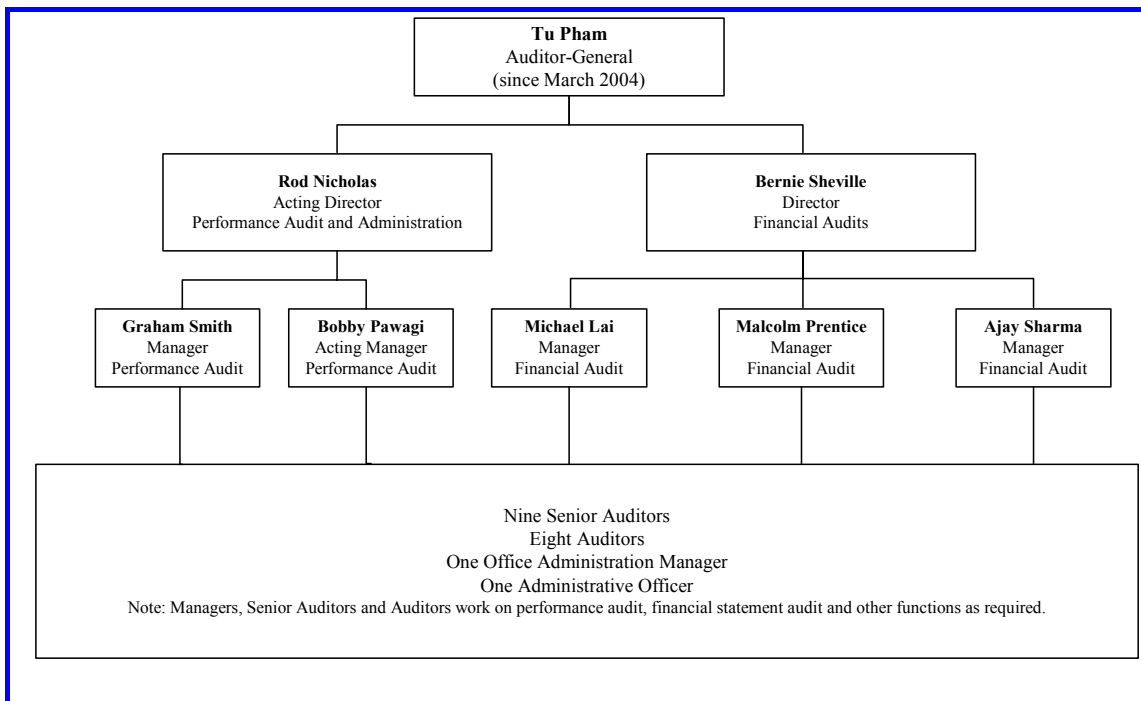
Like other government agencies, the Office has specific responsibilities regarding any disclosure received, essentially to investigate the disclosure or to refer it to another 'proper authority' for investigation. The Office also has authority to act on a disclosure where there is not a 'proper authority' to investigate it, or a 'proper authority' has been unable or failed to adequately act on a disclosure.

Government Procurement Act 2001

The Office maintains a register of certain contracts containing ‘confidential text’ that are provided to the Office by various government entities. The Office is required under the *Government Procurement Act 2001* to report biannually on contract information provided to the Office to the appropriate Legislative Assembly Committee (presently the Public Accounts Committee).

Organisational Structure

Details of management positions in the Office at 30 June 2004 are provided in the following chart.



Significant Management Changes

The former Auditor-General, John Parkinson ceased active duties in July 2003. Bernie Sheville was Acting Auditor-General for the period from July 2003 to March 2004. Tu Pham was appointed Auditor-General in March 2004.

The former Director, Performance Audit and Administration, Jo Benton ceased duties in May 2003. Rod Nicholas has been Acting Director, Performance Audits and Administration during the reporting year.

OVERALL PERFORMANCE OF THE OFFICE

The Office's overall performance reflected the resource issues experienced by the Office throughout most of the year.

The Office met its statutory financial audit responsibilities and completed all audit opinions in accordance with the relevant timetable, thereby providing the ACT Legislative Assembly and the community with timely information on the financial performance of the Territory and its agencies.

All financial and performance audits were performed in accordance with professional auditing standards. The Office was consistently rated well by Chief Executives and Legislative Assembly members on the work that it performs.

The Office also met its reporting requirements under the *Government Procurement Act 2001*.

Financial Audits

As in previous years, the Audit Office completed a program of financial statement audits which included the audits of the financial statements, including performance measures, of the Territory, its departments, authorities and corporations. The Office also completed a range of other audits as required by legislation or other requirements such as grant acquittal audits.

The main purpose of auditing financial statements is to provide credibility to the financial and performance information being presented in the financial statements by government agencies. By providing an independent written audit opinion on these financial statements, the Office provides assurance to the ACT Legislative Assembly, ACT community and other users of the financial information that the information in the financial statements is materially correct.

As part of the audit process, the Office assisted reporting entities by alerting them to errors in their financial statements and by improving the quality of the financial statements. Similarly, the Office assisted management of the agencies by identifying major concerns such as internal control weaknesses and poor financial management procedures and practices.

During the year, the Office also prepared a report for Legislative Assembly that summarised the results of the financial audit program during 2002-03. This report provides:

- i. an overview of the results of the Territory's financial statement audit and reporting program;

OVERALL PERFORMANCE OF THE OFFICE

- ii. a comprehensive analysis of the Territory's financial statements;
- iii. a summary of the audit opinions issued on the financial statements audited by the Office;
- iv. detailed explanations of the basis for any qualifications included in the audits reports issued by the Office;
- v. an analysis of performance of key agencies against budget and the prior year;
- vi. details of any breaches of legislation identified during the audit process and any serious systemic internal control or other problems identified during the audit process; and
- vii. comments and recommendations on those areas where the Office believes that financial reporting or accountability arrangements in the Territory could be improved.

Performance Audits

The Office presented three Performance Audit reports to the Assembly during the year.

Report No. 1 of 2004, titled **Administration of Policing Services** was tabled in May 2004. It found, among other things, that the management by the Department of Justice and Community Safety (JACS) of the Policing Arrangement covering the provision of policing services by the Australian Federal Police to the Territory is not effective. In particular, the Policing Arrangement did not provide a robust basis for the Government to exercise effective strategic oversight and financial control of policing. Of the 12 recommendations, JACS agreed with 10 of the recommendations and agreed in principle with the other two. The audit was welcomed by the Minister for Police, who stated that the audit would provide valuable information for the recently announced study into community policing arrangements. The Audit Office has subsequently had input into this study.

Report No. 2 of 2004, titled **Travel Arrangements and Expenses** was tabled in June 2004. The report found that there is a high level of compliance with the legislative and policy framework in all significant respects. The Audit Office made recommendations to further improve guidelines and processes, which were accepted by agencies.

Report No. 3 of 2004, titled **Revenue Estimates in Budget Papers 2002-03** was also tabled in June 2004. The report found that the economic assumptions presented in the budget papers was reasonable and that the systems associated with budget preparation were generally adequate and effective, although several agencies did not maintain adequate budget documentation. Forward estimates were also reasonable, although the forecast performance for several major revenue items could be improved. The

OVERALL PERFORMANCE OF THE OFFICE

four recommendations, on policy guidelines, adequacy of documentation, forecasting methods and sensitivity analysis, were acknowledged by Treasury.

Assessment of Performance

As set out in the Office's '2003 Strategic Focus', the performance of the Office was assessed on two key functional areas, namely the results of financial and performance audits conducted by the Office.

Financial Statement Audits

Measures	Target	Result	Variance from Target (%)
Total costs	\$1.962m	\$2.116m	8%
Fees charged	\$2.125m	\$2.424m	14%
Number of audit opinions issued on financial statements	85	86	1%
Chief Executives' satisfaction	90%	100%	11%
Audits completed within agreed timetable	100%	100%	-

The Office's total costs of completing financial statement audits increased by 8% compared to budget, due to unexpected increases in annual and long service leave entitlements, increases in information technology costs and additional staff training. The Office's total costs also included increased contract audit costs. Most of these cost increases were not within the control of the Office.

The fees charged by the Office also exceeded budgeted numbers. A significant part of the increase (around \$185,000) is comprised of revenue brought forward into 2003-04 to ensure the financial audit program was completed earlier to meet the reporting timeframes required by the October ACT Government election. The remainder of the fee increases represent the recovery of higher fees from audit contractors and non-discretionary increases in Office costs.

Further information on the financial statement audit fees including the basis for setting these fees is provided in [Appendix 2: 'Financial Statement Audit Fees'](#).

Performance Audits and Other Related Functions

Measures	Target	Result	Variance from Target (%)
Total costs	\$1.034m	\$1.045m	1%
Number of reports presented to the ACT Legislative Assembly	8	3	(63%)
ACT Legislative Assembly Members' satisfaction with reports quality	90%	100%	11%
Percentage of audits completed within 9 months	100%	33%	(67%)
Chief Executives' satisfaction	90%	100%	11%

The number of performance audit reports tabled in the ACT Legislative Assembly was significantly less than expected. Similarly, two audits were not completed within the 9 months target. These results reflected the departure of most senior staff involved in performance audits in mid 2003. As the Audit Office was not able to replace these staff in a timely manner, many performance audits experienced a 'stop and start' approach which led to significant delays in completion.

Reporting under the Government Procurement Act 2001

The Office met its obligations under the *Government Procurement Act 2001* (Section 39) to provide the Public Accounts Committee with information received from agencies regarding Government contracts that contained confidential text. The Office provided the Committee with the information on a six-monthly basis as required by the Act.

Other Activities

The Office provided comments and suggestions on relevant draft cabinet submissions, Treasury finance memorandums and other guidance material. The Office also provided assistance to members of the ACT Legislative Assembly and ACT public sector agencies when requested. During the year, representatives from the Office participated in regular meetings of Internal Audit Committees of all major agencies.

Other Aspects of Performance

Information on the Office's performance is also provided in this annual report on the following matters.

- i. Organisational and governance arrangements;
- ii. Financial performance;
- iii. Human resource performance;
- iv. Information and access; and
- v. Community and environment.

ORGANISATIONAL GOVERNANCE ARRANGEMENTS

OVERVIEW

Consistent with the operation of a small office, the management of the Office activities was conducted during the year through regular meetings between the Acting Auditor-General, Director and Audit Managers as required.

Since March 2004, the Auditor-General convened weekly meetings of the Management Committee, which comprises the Auditor-General, Director, Performance Audits and Administration and Director, Financial Audits, to discuss Office policies, set strategic direction, monitor the Office's overall performance and determine priorities for the Office.

Fortnightly meetings were also conducted with the management team comprising the Auditor-General, Directors and Audit Managers to discuss the Office activities, report on progress against targets and raise audit and corporate issues requiring attention.

There were monthly staff meetings for all staff in the Office to share information and discuss general and specific Office issues.

Senior Executive Remuneration

The Australian Capital Territory Remuneration Tribunal determines the remuneration of senior executives.

STRATEGIC AND ORGANISATIONAL PLANNING

During most of the year, the '2003 Strategic Focus', which was issued by the former Auditor-General, was used to guide the operations of the Office. The former Auditor-General also determined the performance targets for the financial statement audits and performance audits that were reported in this year's Statement of Performance.

From April 2004, the '2003 Strategic Focus' has been replaced with a more comprehensive and inclusive strategic planning process. The Office's 'Strategic Plan 2004-07' was finalised in May 2004, following consultation with the Office's key stakeholders including members of the Public Accounts Committee, Chief Executives of key agencies and staff of the Office.

The Strategic Plan is supported by an action plan that assigns responsibility for specific actions and timeframes for completion of those actions. This plan targets those areas identified as requiring improvement. The Auditor-General, Directors and Managers meet regularly to monitor progress against this plan.

RISK MANAGEMENT ARRANGEMENTS

Reflecting the functions of a small, professional audit operation, risk management arrangements have focussed predominantly on ensuring that auditing standards and practices are followed in the preparation of reports on the management of public sector resources for the ACT Legislative Assembly.

The Office has commenced a more formal risk management approach following the release of the ACT Government's 'Risk Management Policy' in early 2004. The Office has also developed a draft risk management framework and participated in risk management benchmarking.

The Office's main risks relate to the audit activities and the administration of the Office. The realisation of these risks could compromise the reputation and integrity of the Office and adversely affect the allocation and use of public sector resources. Although the Office risks are considered low, effective measures, including adequate quality control review, have been put in place to minimise these identified risks. These measures are monitored throughout the year by the management team.

INTERNAL CONTROL ARRANGEMENTS

The Office has in place an appropriate internal control environment to support the Office's legislated functions and provide assurance that the policies, aims and objectives set for the Office are being achieved.

The Office organised and delivered its work mainly through the organisation of small audit teams. Through regular meetings, Directors and Managers discussed, monitored and reported on the Office's activities.

Audit 'projects' and related activities are conducted using generally accepted auditing practices including the use of audit methodologies and practices that comply with Australian Auditing Standards and quality control procedures. All audits are completed and reviewed by staff that possess the required technical proficiency.

Audit work is performed in accordance with carefully prepared and approved audit plans, including budgets. The time and cost spent on projects and other activities are monitored using the Office's 'Time and Cost' system.

In relation to the Office's financial operations, financial reports are regularly prepared, reviewed and monitored against the Office's overall budget. All expenditure is approved in accordance with the Office's financial delegations framework.

Financial records are regularly reconciled by an external accountant who is not involved in the day to day processing of accounts or the operations of the Office.

Incompatible functions associated with the Office's financial management are segregated to ensure that the Office's financial records including its asset records are generally not maintained by those with the authority to approve expenditure or those who have custody of assets such as cash and computer equipment.

FRAUD PREVENTION ARRANGEMENTS

The risk of fraud is considered to be low. The Office handles no cash other than petty cash. The Directors and Managers work closely with staff in small audit teams and are also directly involved in all activities, and this provides a reasonable safeguard against fraud and corruption.

The Office has policies and practices in place to minimise the risk of fraud and corruption. These policies and procedures include, the guidance provided in the Office's Integrity Code on the required standards of conduct and instructions on the 'Acceptable Access and Use of IT Resources'. Staff have been made aware of these policies and practices with new staff being introduced to them as part of induction training.

Reflecting the nature of fieldwork during audits, there are sound controls over staff attendance and leave. The Office also ensures it minimises the risk of fraud by segregating the performance of incompatible functions.

No fraudulent activity or unethical behaviour was identified during the reporting year.

CULTURE AND VALUES

In addition to the Office's 'Integrity Code' mentioned earlier, most Office staff are members of professional bodies and receive ethical training as part of obtaining their professional qualifications. This training also provides specific guidance on matters of particular relevance to auditors.

The development of the Office's 'Strategic Plan 2004-07' during the year provided a further opportunity for the Office staff to revisit and agree on the values that staff should exhibit in the performance of their work.

PROCUREMENT CONTRACTING PRINCIPLES AND PROCESSES

The Office's significant contracts are with audit contractors who assist the Office to meet its financial audit obligations. The selection and management of audit contractors were consistent with the ACT Government procurement guidelines. The Office does not have an accredited procurement unit. Consequently, the Office's procurement plans for significant contracts are reviewed and approved by Procurement Solutions or the Procurement Board as appropriate prior to market testing and selection of audit contractors.

ORGANISATIONAL GOVERNANCE ARRANGEMENTS

Details of the expenses incurred by the Office under contracts are provided below.

2003-04 External Sources of Labour and Services¹

Firm	Date Contract Let	Financial Audits \$ Note 1	Performance Audits \$ Note 1	Other Services \$ Note 2	Total \$
Deloitte Touche Tohmatsu	10 April 2003	33,200			33,200
KPMG	28 April 2003	183,065			183,065
Duesburys	1 April 1999	4,950			4,950
Fielden Hummer/Ascent	11 April 2003	17,747			17,747
PricewaterhouseCoopers	19 March 2003	246,640			246,640
Ernst and Young	30 April 2003	63,600	2,655		66,255
Rice Walker	6 August 2003	21,056			21,056
Trowbridge Deloitte	15 July 2003	15,000			15,000
Turallo Consulting	22 May 2003			1,898	1,898
Hudson Global Resources	10 May 2004			21,688	21,688
Total		585,258	2,655	23,586	611,499

Note 1 – These firms assisted with the Office’s financial statement and performance audit activities.

Note 2 – Turallo Consulting assisted with the development of the ‘ACT Auditor-General’s Office Certified Agreement 2004-06’. Hudson Global Resources assisted the Office in the completion of internal Office projects including the development of the Office’s policies and procedures documentation.

EXTERNAL SCRUTINY

The *Annual Reports (Government Agencies) Act 2004* and the *Auditor-General Act 1996* provide mechanisms for the external scrutiny of the Office.

The *Annual Reports (Government Agencies) Act 2004* requires the Office’s annual report to be provided to the ACT Legislative Assembly. The Public Accounts Committee reviews the Office’s annual report including the Office’s audited financial statements.

The Office is not required to comply with the *Annual Reports (Government Agencies) Act 2004* where the Auditor-General considers that compliance would prejudice the

¹ The expenses disclosed in the above table are the expenses incurred by the Office during 2003-04 as reported in Note 5 to the Office’s audited financial statements. The expenses disclosed do not represent the value of contracts, since the contracts often cover more than one financial year and the work performed does not necessarily coincide with the financial year.

ORGANISATIONAL GOVERNANCE ARRANGEMENTS

independence of the Office. There were no instances where the Auditor-General considered that compliance with the *Annual Reports (Government Agencies) Act 2004* would prejudice the independence of the Office.

The *Auditor-General Act 1996* requires an annual audit of the Office's financial statements by an auditor selected by the relevant Minister. The Office received an unqualified audit opinion on this year's financial statements.

The *Auditor-General Act 1996* also provides for a performance audit of the Office following a written request from the presiding member of the Public Accounts Committee. No performance audit of the Office was performed or requested in the reporting year.

FINANCIAL PERFORMANCE

FINANCIAL RESULTS

The financial performance of the Office during the year is summarised below:

Statement of Financial Performance for the Year Ended 30 June 2004

	Actual 2003-04 \$	Budget 2003-04 \$	Actual 2002-03 \$
Total Revenue	3,419,142	3,092,000	3,029,645
Total Expenses	3,160,924	2,996,000	2,988,111
Operating Surplus	258,218	96,000	41,534

Operating Result

The Office's operating result in 2003-04 was a surplus of **\$258,218**. This surplus significantly exceeded the budgeted operating surplus of **\$96,000** and the prior year's operating surplus of **\$41,534**.

During the year, the financial audit program commenced earlier than in prior years to ensure that the audits were completed before the October ACT Government election. This had the effect of bringing a significant amount of revenue (around \$185,000) forward into 2003-04 that would normally have been earned in 2004-2005.

The better operating result compared to budget reflected this increase in revenue (11%), partly offset by an increase of 6% in expenses.

Had the 2004 financial statement audit program not been brought forward, then the operating result would have been around **\$73,000** and not significantly different from the budget and prior year operating results.

Revenue

Figure 4.1 indicates that most (71%) of the Office's revenue comes from financial statement audit fees. The remainder was derived predominantly from appropriations (28%).

Figure 4.1
Components of Revenue 2003-04

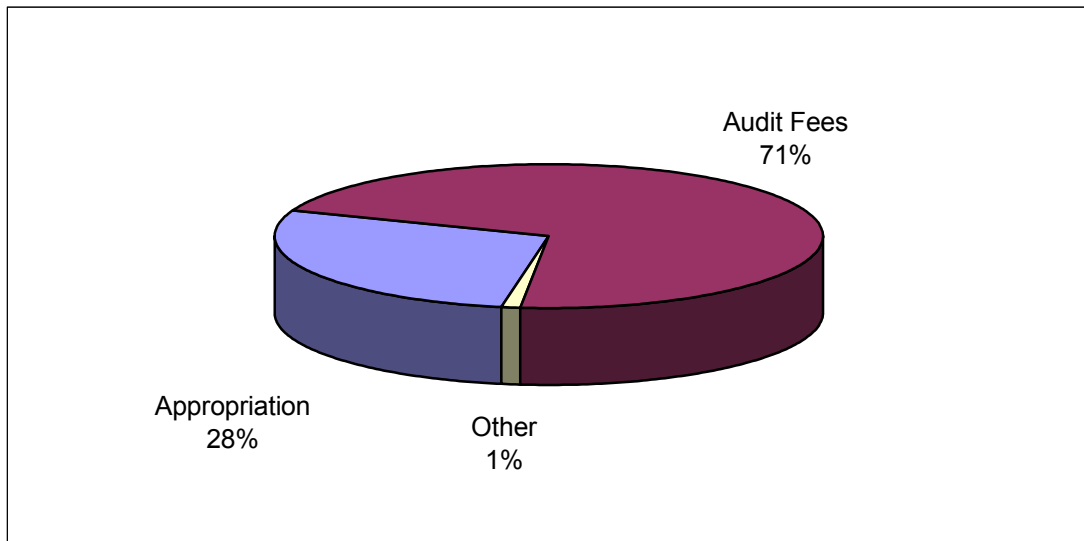


Table 1: Revenue

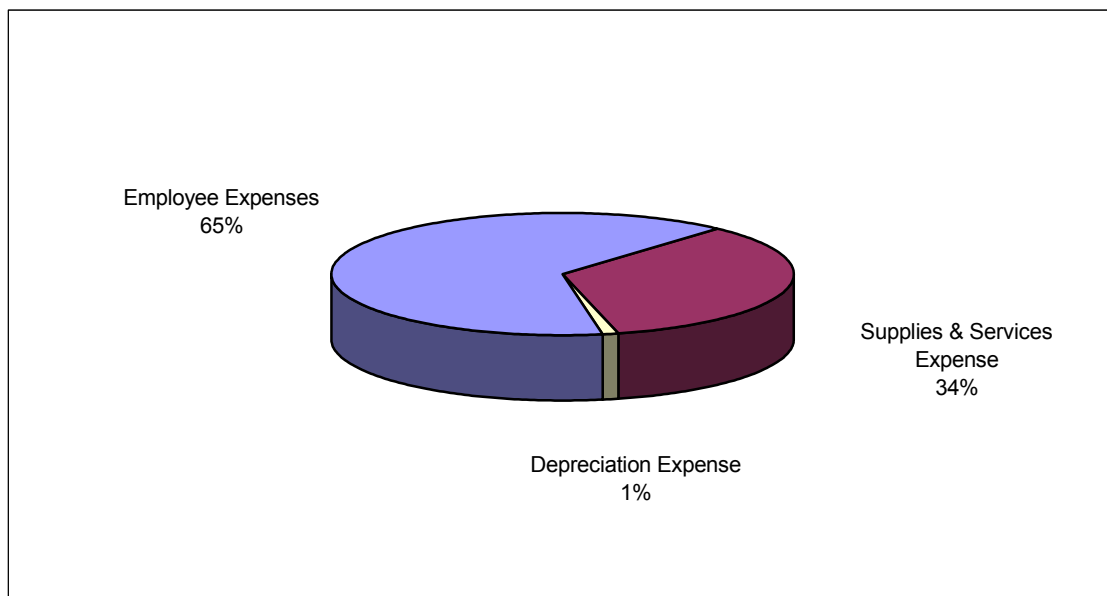
	Actual 2004 \$	Budget 2004 \$	Actual 2003 \$
REVENUE			
Appropriation	961,000	961,000	943,000
Financial Statement Audit Fees	2,424,247	2,125,000	2,076,084
Other	26,569	6,000	10,561
Resources Received Free of Charge	7,326	-	-
Total Revenue	3,419,142	3,092,000	3,029,645

Financial statement audit fees exceeded budget estimates and last year's fees because of:

- i. the earlier commencement of the 30 June 2004 financial statement audits program (around one month earlier) than in prior years, thus \$185,000 in revenue was brought forward;
- ii. the recovery from auditees of higher charges imposed by audit contractors to the Office - \$54,000; and
- iii. the fee increases charged to auditees to recover other Office costs.

Expenses

**Figure 4.2
Components of Expenses 2003-04**



Most (65%) of the Office's expenses are employee expenses. Supplies and Services (34%) make up most of the rest of expenditure and are mainly comprised of audit contractors' expenses, office accommodation lease, information technology and training costs.

Table 4.2: Expenses

	Actual 2004 \$	Budget 2004 \$	Actual 2003 \$
EXPENSES			
Employee	2,037,848	1,984,000	1,915,242
Supplies and Services	1,086,107	975,000	1,035,900
Depreciation	36,969	37,000	36,969
Total Expenses	3,160,924	2,996,000	2,988,111

Employee expenses exceeded budget and prior year mostly because of the transfer to the Office of annual and long service leave entitlements for the new Auditor-General.

Supplies and services also exceeded budget and the prior year. Significant cost increases occurred in relation to:

- i. fees charged by private sector contractors who provide audit services on behalf of the Office;
- ii. information technology costs; and
- iii. training costs.

Financial Position

Key indicators of the health of the Office’s financial position are its ability to meet its short and long term liabilities.

Short Term Financial Position

	Actual 2004 \$	Budget 2004 \$	Actual 2003 \$
Current Assets	1,355,378	1,083,000	875,251
Current Liabilities	357,791	374,000	359,003
Net Current Assets	997,587	709,000	516,248
Current Ratio	3.79	2.90	2.44

The current ratio (*Ratio of Current Assets to Current Liabilities*) shows that as at 30 June 2004 the Office had \$3.79 in current assets available to meet every dollar of current liability. This represents a significant improvement in current ratio since the prior year and indicates that the short term financial position of the Office is strong.

Long Term Financial Position

	Actual 2004 \$	Budget 2004 \$	Actual 2003 \$
Total Assets	1,394,726	1,130,000	959,008
Total Liabilities	744,202	553,000	566,701
Net Assets	650,524	577,000	392,307
Total Ratio	1.87	2.04	1.69

The total ratio (*Ratio of Total Assets to Total Liabilities*) shows that as at 30 June 2004 the Office had \$1.87 in assets available to meet every dollar of liability. This represents an improvement in the long-term financial position since the prior year and reflects a healthy long-term financial position.

The longer-term position, while reasonably healthy, is not as strong as the short-term position because the Office's current assets are needed to meet both the short and long term liabilities of the Office.

HUMAN RESOURCE PERFORMANCE

OVERVIEW

There were 27 staff employed in the Office (including the Auditor-General) on 30 June 2004.

The Auditor-General is appointed for a term of seven years as a full time statutory office holder under the *Auditor-General Act 1996*.

All other staff are employed under the *Public Sector Management Act 1994*.

Staffing Profile

Staffing Profile – Men (M) and Women (W) by Classification							
Organisational Unit – The Audit Office							
Classification	Men	Women	Total	Part Time	Permanent	Fixed Term	Temporary
				M/W	M/W	M/W	M/W
Auditor-General	0	1	1	0/0	0/0	0/1	0/0
Directors	2	0	2	0/0	0/0	2/0	0/0
Audit Managers	5	0	5	0/0	4/0	1/0	0/0
Audit Seniors	5	4	9	0/0	4/4	0/0	1/0
Auditors	4	4	8	0/0	2/2	2/2	0/0
Administrative Officers	0	2	2	0/0	0/2	0/0	0/0
TOTAL	16	11	27	0/0	10/8	5/3	1/0

Staff Capacity

Consistent with the needs of a professional Office, all staff with audit responsibilities have tertiary qualifications and most are either members of a professional body (such as the Institute of Chartered Accountants in Australia or CPA Australia) or are undertaking programs of study to become eligible to join a relevant body.

Managers and Directors have considerable technical and management experience in public and/or private sector organisations (10 to 20 years experience). However, there is less experience below the level of Audit Manager with most staff having less than five years experience.

HUMAN RESOURCE PERFORMANCE

Around 30% of the Office's workforce have been with the Office for less than one year and 26% of the staff ceased employment with the Office in the reporting year.

Staff Movements	2003-04	2002-03	2001-02	2000-01
Recruitment	9	5	5	3
Attrition	7 ²	4	4	5
Number of Staff	27	25	24	23
Turnover	26%	16%	17%	22%

The Office's workforce is small and any change in staffing levels will have a significant impact on the Office's operations. It has been difficult to consistently retain skilled staff in recent years, a result of the competitive and buoyant market for experienced and qualified accountants and auditors. The Office continued to compete with larger organisations such as the Australian National Audit Office, private sector audit and accounting firms and many higher profile ACT and Commonwealth public sector agencies which often can provide better salaries and better employment opportunities for advancement.

The Office has put in place a number of measures to assist its retention and attraction of skilled staff, and aims to reduce the staff turnover rate to 20% by 30 June 2005, and further to 15% by 30 June 2006. These measures include better performance management, improving the Office's working conditions, promoting diversity, expanding the range of training and learning opportunities available for staff and actively implementing flexible and family friendly work practices.

Workforce Planning

The Office conducted workforce planning during the year through assessments of the staff capacity of the Office, resources needed to complete the Office's annual program of financial statement audits, performance audits and other activities. These assessments also make allowances for staff training, leave, and other administrative activities. This was successful for the financial audit staff, but as noted previously was unable to fully compensate for the significant loss of performance audit staff.

Most staff were involved in major activities of the Office. During the peak financial statement audit period, which extends from April to October each year, most staff work on the statutory financial statement audits of agencies. Outside this peak period, available staff are assigned to performance audit and other activities.

Staff also receive regular training on financial auditing and performance auditing to facilitate a high degree of mobility between the major activities of the Office.

² The unusually high level of turnover in 2004 was partly due to the retirement of the previous Auditor-General and Director, Performance Audit and Administration. If these retirements are excluded than staff turnover is similar to previous years.

The Office minimised the use of external audit contractors when completing the financial audit program. Audits were usually only outsourced to external contractors where the Office considered the needs of the audit can be best met by an external contractor with specialised skills such as high level of IT or tax knowledge, or when an audit done in-house would adversely affect the completion of the statutory audit program on time.

WORKPLACE RELATIONS

For the first half of 2003-04, all non-SES staff were employed under an Australian Workplace Agreement. The Office's Australian Workplace Agreement expired in June 2003 and was replaced in the second half of the year by the 'ACT Auditor-General's Office's Agreement 2004-06'.

This new certified agreement was made under the *Workplace Relations Act 1996* and was certified by the Industrial Relations Commission on 3 February 2004. It remains in force until 30 June 2006.

At 30 June 2004, the Office did not have any employees that were covered by an Australian Workplace Agreement. The Certified Agreement applied to 24 staff including Audit Managers, Senior Auditors, Auditors and Administration Staff.

WORKPLACE INJURY PREVENTION AND MANAGEMENT

There were no workplace accidents or injuries sustained in the workplace during 2003-04.

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 *Occupational Health and Safety Act 1989*.

Due to the small size of the Office and the departure of many staff during the year, the Occupational Health and Safety (OH&S) Committee didn't operate for much of the year, and the management team accepted direct responsibility for facilitating a safe working environment. The Office will soon be formally re-establishing its OH&S Committee with staff involvement.

The Office has implemented a number of measures to provide a safe working environment. These measures include:

- i. Office furniture and equipment is acquired taking into account OH&S requirements.
- ii. Staff may have their individual workstations professionally assessed at any time. Where staff have sustained injuries or have other specific requirements, individual workstations are professionally assessed taking into account the specific medical needs of the individual.

HUMAN RESOURCE PERFORMANCE

- iii. The fieldwork for audits is often conducted on site at the various agencies. Staff accommodation arrangements at auditees are also required to meet OH&S requirements.
- iv. Staff are offered the option of having injections against influenza.
- v. The Office's forward planning and resourcing decisions share the workload amongst staff so that individual staff is not required to work excessive periods of long hours.
- vi. Stress is also managed by providing proper training, coaching and supervision of staff and supporting staff through difficulties they may experience in their personal and professional life. The Office also has a zero tolerance policy towards workplace discrimination, harassment and bullying.

WORKPLACE DIVERSITY

The Office has Equity and Diversity Guidelines in place. The Office continued to promote and maintain equity and diversity at the workplace, provided opportunities for all staff to be involved in decision making process, and encouraged individual staff to express their views freely through internal consultative mechanisms, regular staff meetings, and various discussion forums.

With its small yet diversified workforce, the Office has been successful in achieving a supportive and inclusive working environment. As indicated in the following table, the Office has a significant number of staff from linguistically and culturally diverse backgrounds.

Staff Diversity Profile						
Classification	Men	Women	Total	Culturally & Linguistically Diverse Background	Aboriginal & Torres Strait Islander	Disabled
Auditor-General	-	1	1	1	-	-
Directors	2	-	2	-	-	-
Audit Managers	5	-	5	3	-	-
Audit Seniors	5	4	9	5	-	-
Auditors	4	4	8	2	-	-
Administrative Officers	-	2	2	-	-	-
TOTAL	16	11	27	11	-	-

LEARNING AND DEVELOPMENT

Consistent with the technical requirements of a professional audit office and given the high level of staff turnover, a primary focus of learning and development during the year was to ensure the Office has the capacity to properly conduct performance and financial statement audits. The Office actively encourages all staff to work towards obtaining professional status in their careers.

The Office also supports other training activities that develop the broader skills and knowledge and capacity of staff such as report writing, communication, presentation, and time management .

The Office's Certified Agreement requires minimum qualifications for employment at the 'Manager' classification and for salary progression beyond the middle of the salary range at the 'Audit Senior' classification. The Agreement also provides staff with an average minimum of five days professional development each year. Actual training provided in 2003-04 averaged at more than 10 days per staff member, well exceeding the minimum five day required by the Office's Certified Agreement.

Training expenditure for external courses during 2003-04 totalled \$55,400 or 3.7% of the Office's payroll, compared to 2.9% in the previous year. This expenditure does not include internal costs and time allowed for study leave, which would bring the training costs to over \$210,000.

Areas of training provided during the year included:

- IT (Excel, Oracle);
- Performance Auditing;
- Corporate Governance;
- International Accounting Standards; and
- Risk Management.

The Office met the course fees for 3 staff to undertake their post graduate studies in the MBA program and in Commerce and Accounting qualifications, and supported two staff in participating in the CPA and CA programs. The Office also provides study leave and examination leave for these staff and the activities of the Office are carefully planned so that staff have access to this leave when needed.

As part of the implementation of the Strategic Plan 2004-07, the Office is in the process of developing a broader learning and development program. This program is expected to be completed in 2004-05 and is expected to result in a more systematic identification of the learning and development needs of the staff, and for better delivery of training and development activities to meet these needs and the desired capacity of the Office.

INFORMATION AND ACCESS

FREEDOM OF INFORMATION

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

Although the Office is not exempt from the requirements of the FoI Act, a confidentiality provision in the *Auditor-General Act 1996* overrides the general provisions of the FoI Act.

Section 34(1) of the *Auditor-General Act 1996* provides that:

‘a person who obtains information in the exercise of a function of the Auditor-General shall not disclose the information except in the exercise of such a function.’

A significant penalty can be imposed under the *Auditor-General Act 1996* for a breach of this provision, and only limited exceptions are provided – most relevantly, if the Minister responsible directs that the information be disclosed, and certifies that it is in the public interest that the information should be disclosed.

Essentially, any information or document in the possession of the Office resulting from the performance of a function of the Auditor-General is exempt from production under the FoI Act.

The proviso relating to the non-disclosure of information should not be taken to mean that any request for information in the possession of the Office is automatically excluded from the provisions of the FoI Act. When doubt exists about the legitimacy of releasing specific documents, the Office would seek legal advice prior to releasing documentation.

PUBLICATION OF CERTAIN DOCUMENTS AND INFORMATION (SECTION 7 STATEMENT)

Functions and Operations of the Agency

The functions and operations of the Office are explained on pages 3 to 6 of this report.

Participation in the Work of the Office by Members of the Public

The usual method used by members of the public to participate in the work of the Office is by making representations directly to the Office or by making

representations to their elected representatives in the Legislative Assembly who may, in turn, decide to make representations to the Office. For some performance audits, the Office will directly consult selected stakeholders.

Categories of Documents in the Possession of the Office

The Office holds the following categories of documents:

- i *Documents freely available on request and without charge.* Documents in this category include audit reports produced by the Office. These documents are available from the Office website <http://www.audit.act.gov.au> or on request from the Office, and are also distributed from public counters and libraries throughout the Territory.
- ii *Other kinds of documents that may be available under the FoI Act.* A wide range of documents, held in the Office, may be available under the Act. These documents may include general administrative files including internal, interagency and public documents, minutes of meetings of management and other committees, agendas and background papers, policies, diaries, work sheets, computer or paper in connection with Office functions, photographs, financial and accounting records, files on applicants, leases and deeds of agreement.
- iii *Documents obtained in the exercise of a function of the Auditor-General Act 1996.* These documents cannot be disclosed (under Section 34(1) of the *Auditor-General Act 1996*) and include all documents and materials relating to audits of government agencies.

Facilities Provided by the Office for Enabling Members of the Public to Obtain Physical Access to the Documents

Those seeking information should seek access by contacting the Office before resorting to a formal FoI application. In many cases access to information can be gained more efficiently through such an approach.

Any enquiries concerning FoI matters should be addressed to the Office's FoI Coordinator:

Mr Rod Nicholas
FoI Coordinator
Auditor-General's Office
11 Torrens Street, BRADDON ACT 2612,
Phone 6207 0833; Fax 6207 0826

CERTAIN DOCUMENTS AVAILABLE FOR INSPECTION AND PURCHASE (SECTION 8 STATEMENT)

Section 8 of the FoI Act requires the Office to prepare and make available each year, a statement (which may be an index) of the documents that are provided by the Office for the purposes of an enactment or scheme administered by the Office.

The Office's 'Section 8 Statement' is included in an Office document titled '*Freedom of Information Act 1989 Section 7 and Section 8 Statements*'. The Section 8 statement may be obtained by contacting the Office's FoI Coordinator.

REPORT ON THE OPERATION OF THE FREEDOM OF INFORMATION ACT 1989 (SECTION 79 STATEMENT)

The Office received one application for access to documents under the FoI Act during the year. Access to these documents was denied because the information requested was obtained in the exercise of a function of the Auditor-General. The information in these documents could not be disclosed under Section 34(1) of the *Auditor-General Act 1996*. The applicant was advised of this decision within 31 days.

PUBLIC INTEREST DISCLOSURES

Proper Authority

The Auditor-General is a 'proper authority' to receive public interest disclosures under the *Public Interest Disclosure Act 1994* (the PID Act).

Procedures

The Office has procedures for receiving and handling public interest disclosures. The Office's procedures:

- i provide background information on the objectives of the PID Act;
- ii explain the requirements imposed on agencies in relation to the receipt and investigation of PIDs and the investigation process including the need for the investigation process to be fair, flexible, speedy and as informal as possible;
- iii provide for the handling of disclosures by suitably experienced officers. The Auditor-General and the Director, Performance Audit and Administration are the contact officers for providing information and assistance to those wishing to make a disclosure under the PID Act;

- iv emphasise the importance of treating all parties involved in any disclosure fairly and impartially and ensuring that the confidentiality and security of information is protected; and
- v include a ‘public interest disclosure model’ – a flowchart of the typical key steps involved in handling any public interest disclosure.

Statistics Relating to the Reporting Year

Disclosure Requirement	Details
The number of disclosures received.	Two.
Type of disclosures under Section 4(2) of the PID Act.	Both disclosures allege conduct that could, if substantiated, amount to ‘disclosable conduct’ under Section 4(2)(a) and (b) of the PID Act.
The number of disclosures referred by other agencies	Nil
The number of public interest disclosures investigated	The Office was gathering information to determine whether to investigate one disclosure.
The number of investigations referred to other government agencies for investigation. The identity of the other government agency. The number and type of disclosures referred to each agency	One disclosure, that could, if substantiated, amount to ‘disclosable conduct’ under Section 4(2)(a) and (b) of the PID Act was referred to the ACT Ombudsman.
The number of disclosures on which the Office has declined to Act under Section 17 of the PID Act.	Nil.
The number of disclosures substantiated by investigation.	Nil. No decision has been made on whether to investigate one disclosure

Details on Remedial Action on Each Substantiated Disclosure

There were no substantiated disclosures.

Details of Remedial Action Taken on Ombudsman Recommendations

The ACT Ombudsman made no recommendations regarding the Office.

TERRITORY RECORDS

The *Territory Records Act 2002* requires each agency to have an approved records management program. The records management program must consist of a records management policy document, records management procedures and a records disposal schedule that is approved by the Director of Territory Records. This aspect of the Act came into effect on 1 July 2003.

The Office has well established practices for the management of its records and these provide assurance that records are treated in an appropriate manner. The Office is in the process of developing a formal records management program. This has involved an examination of the activities of the Office and the Office's legal, professional, and administrative requirements, to determine which records need to be captured into record keeping systems, and how long those records need to be kept in order to satisfy operational needs and meet accountability requirements.

Although the Office has made substantial progress, it has not finalised the records management program to be approved by the Director of Territory Records.

The Office is addressing the requirements of the Act as a matter of priority. The Office has met with staff of the Territory Records Office, including the Director of Territory Records to discuss the process of developing a program appropriate to the specific needs of the Office.

The Office expects to be in compliance with the Act in the first half of 2004-05.

COMMUNITY AND ENVIRONMENT

ECOLOGICALLY SUSTAINABLE DEVELOPMENT

The *Environment Protection Act 1997* requires the Office to report on how its operations accord with and contribute to the principles of ecologically sustainable development.

The work of the Office is administrative in nature. In the performance of its work, the Office contributes to the principles of ecologically sustainable development by:

- i minimising the number of hardcopy publications of audit reports. These reports can be accessed on the Office's website. During the year, the number of printed copies of performance audit reports was reduced from approximately 340 to 200 for each audit;
- ii maximising the use of electronic workpapers, messaging, and on-line technical and information services;
- iii recycling paper and using equipment with electricity saving features where possible; and
- v acquiring new equipment to allow for double sided printing and copying.

MULTICULTURAL FRAMEWORK

The 'Framework for a Multicultural Australian Capital Territory 2001-05' outlines the Government'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.

Consistent with the vision and the action plan in the 'Framework for a Multicultural Australian Capital Territory 2001-05' the Office promotes an inclusive workplace by ensuring that all its staff enjoy equal rights, responsibilities and opportunities to participate in and contribute to the Office's objectives.

Staff were made aware of and were encouraged to participate in training and education programs run by the 'ACT Public Service Multicultural Staff Network' which was chaired by the Auditor-General.

The Office also has in place 'Equity and Diversity Guidelines' and a 'Workplace Discrimination, Harassment and Bullying Prevention' policy to support and nurture a diverse and non discriminatory workplace where different cultures and talents of all staff are recognised and valued.

JUSTICE OPTIONS AND PREVENTION POLICY FRAMEWORK

The ACT Government’s policy framework ‘Justice, Options and Prevention – Working to Make the Lives of ACT Women Safe’ provides guidance to agencies in their work to eliminate violence against women. Included in this framework is the ‘Action Plan 2003’ that specifies action required by agencies to achieve progress against the specified outcomes.

The Office’s actions required by ‘Action Plan 2003’ and the associated performance measures are provided elsewhere in this report as noted below.

Outcome	Action Plan 2003	Action Plan 2003	Annual Report References
	‘Action for All Agencies’	Performance Measures	
<p>Protection and Justice</p> <p>A justice system that provides protection, support and advocacy for women.</p>	<p>Agencies will align policies with the operating environment, promote staff consultation in shaping policies and ensure equity and diversity policies can be tailored to complement local conditions as a result of industrial negotiation.</p>	<p>Organisational cultures are inclusive, respectful and responsive and permit and facilitate access to work, equitable career opportunity and maximum participation for all employees.</p> <p>EEO target groups are employed at all levels in a workplace marked by an absence of all forms of discrimination.</p> <p>Procedural fairness is a feature of all resources strategies, systems and practices.</p>	<p>‘Workplace Diversity’ – Page 25.</p> <p>‘Learning and Development’ – Page 26.</p> <p>‘Multicultural’ Framework’ – Page 32.</p>

APPENDICES

1. Audited Financial Statements
2. Financial Statement Audit Fees
3. Legislative Assembly Committee Inquiries and Reports
4. Contact Information

APPENDIX 1 - AUDITED FINANCIAL STATEMENTS

THE ACT AUDIT OFFICE

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2004**

STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying financial statements and notes of the ACT Audit Office for the year ended 30 June 2004, consisting of a:

Statement of Financial Performance;

Statement of Financial Position;

Statement of Cash Flows;

Statement of Appropriation; and

Statement of Performance

fairly reflect the financial operations and performance of the ACT Audit Office for the year ended 30 June 2004 and the financial position of the ACT Audit Office at the end of the year.



Tu Pham
Auditor-General
16 July 2004

THE ACT AUDIT OFFICE

**Statement of Financial Performance
for the Year Ended 30 June 2004**

	Note	Actual 2004 \$	Budget 2004 \$	Actual 2003 \$
REVENUE FROM ORDINARY ACTIVITIES				
Appropriation		961,000	961,000	943,000
Financial Statement Audit Fees		2,424,247	2,125,000	2,076,084
Other		26,569	6,000	10,561
Resources Received Free of Charge	22	7,326	-	-
Total Revenue from Ordinary Activities		3,419,142	3,092,000	3,029,645
EXPENSES FROM ORDINARY ACTIVITIES				
Employee	4	2,037,848	1,984,000	1,915,242
Supplies and Services	5	1,086,107	975,000	1,035,900
Depreciation	6	36,969	37,000	36,969
Total Expenses from Ordinary Activities		3,160,924	2,996,000	2,988,111
Operating Surplus from Ordinary Activities		258,218	96,000	41,534
Net Financial Effect of the Adoption of Revisions to an Accounting Standard	15	-	-	(16,034)
Total Change in Equity	15	258,218	96,000	25,500

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

THE ACT AUDIT OFFICE

Statement of Financial Position
as at 30 June 2004

	Note	Actual 2004 \$	Budget 2004 \$	Actual 2003 \$
CURRENT ASSETS				
Cash	7	194,512	358,000	197,937
Receivables	8	853,663	716,000	564,843
Investments	9	300,000	-	100,000
Other	10	7,203	9,000	12,471
Total Current Assets		1,355,378	1,083,000	875,251
NON-CURRENT ASSETS				
Plant and Equipment	11	39,348	47,000	83,757
Total Non-Current Assets		39,348	47,000	83,757
Total Assets		1,394,726	1,130,000	959,008
CURRENT LIABILITIES				
Payables	12	154,338	218,000	67,898
Employee Benefits	13	168,674	147,000	278,276
Other	14	34,779	9,000	12,829
Total Current Liabilities		357,791	374,000	359,003
NON-CURRENT LIABILITIES				
Employee Benefits	13	368,236	166,000	176,695
Other	14	18,175	13,000	31,003
Total Non-Current Liabilities		386,411	179,000	207,698
Total Liabilities		744,202	553,000	566,701
Net Assets		650,524	577,000	392,307
EQUITY				
Accumulated Funds	15	650,524	577,000	392,307
Total Equity		650,524	577,000	392,307

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

THE ACT AUDIT OFFICE

**Statement of Cash Flows
for the Year Ended 30 June 2004**

	Note	Actual 2004 \$	Budget 2004 \$	Actual 2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS				
Appropriation		961,000	961,000	943,000
Financial Statement Audit Fees		2,142,664	2,125,000	2,156,231
Interest		25,576	6,000	10,329
GST Collected on Financial Statement Audits and Office Reimbursements		214,434	205,000	214,545
Other		18	-	144
Total Inflows from Operating Activities		3,343,692	3,297,000	3,324,249
PAYMENTS				
Employee		1,949,317	1,964,000	1,871,374
Supplies and Services		996,966	984,000	1,065,054
GST Paid on Goods and Services		104,499	205,000	118,029
Net GST Remitted to the Australian Taxation Office		96,335	-	113,558
Total Outflows from Operating Activities		3,147,117	3,153,000	3,168,015
Net Cash Inflows from Operating Activities	16	196,575	144,000	156,234
Net Increase in Cash Held		196,575	144,000	156,234
Cash and Cash Equivalents at the Beginning of the Financial Year		297,937	214,000	141,703
Cash and Cash Equivalents at the End of the Financial Year	16	494,512	358,000	297,937

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

THE ACT AUDIT OFFICE

**Statement of Appropriation
for the Year Ended 30 June 2004**

	Note	2004 Original Budget \$	2004 Total Appropriated \$	2004 Appropriation Drawn \$	2003 Appropriation Drawn \$
Appropriation		961,000	961,000	961,000	943,000
Total		961,000	961,000	961,000	943,000

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

THE ACT AUDIT OFFICE

Notes to the Financial Statements
For the Year Ended 30 June 2004

1. Objectives

The objectives of the ACT Audit Office (the Office) are to:

- i. promote accountability in the public administration of the Territory; and
- ii. provide assurance to the community through its elected representatives in the Legislative Assembly that the ACT Public Service is accountable and effectively and efficiently managed.

2. Significant Accounting Policies

(a) Basis of Accounting

These general purpose financial statements have been prepared in accordance with the Accounting Standards, authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus views and the *Financial Management Act 1996*.

These financial statements have been prepared in accordance with the historical cost convention.

Unless otherwise stated the accounting policies are consistent with those of the previous year.

(b) Revenue Recognition

Revenue is recognised for the major activities as follows:

(i) Appropriation

The Office's performance audit and other activities are mostly funded by an appropriation. The amount of the appropriation is determined following a recommendation from the Standing Committee on Public Accounts to the Treasurer on the level of funding that the Standing Committee on Public Accounts considers to be appropriate.

This Appropriation is brought to account as revenue on receipt.

(ii) Financial Statement Audit Fees

The Office charges a fee for all financial statement audits. Revenue from these audits is recognised by reference to the stage of completion of the audit and the estimated fee for the audit. The 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.

(c) Employee Benefits

(i) Salaries

The liability for *Salaries*, including non monetary benefits, expected to be settled within 12 months of the reporting date is recognised for employees' services provided up to the reporting date and is measured at the amounts expected to be paid when the liability is settled.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

2. Significant Accounting Policies (Continued)**(ii) Annual Leave**

The liability for *Annual Leave*, including any non monetary benefits, is recognised for employees' services provided up to the reporting date and is measured at the amounts expected to be paid when the liability is settled.

(iii) Long Service Leave

The liability for *Long Service Leave* expected to be settled within 12 months of the reporting date is recognised for services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for *Long Service Leave* expected to be settled more than 12 months from the reporting date is measured using an approximation method that reliably estimates the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iv) Sick Leave

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

(d) Depreciation of Plant and Equipment

Plant and equipment with a limited useful life is systematically depreciated over its estimated useful life in a manner that reflects the consumption of its service potential.

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

The estimated useful life of plant and equipment is as follows:

i.	Computer Equipment	5 Years
ii.	Office Equipment	5 Years
iii.	Office Fitout	5 Years
iv.	Furniture and Fittings	5 Years

(e) Superannuation

No liability for superannuation is recognised in these financial statements as the Superannuation Unit recognises the superannuation liability of all agencies in the Territory. The Office makes superannuation payments to the Superannuation Unit each year. As shown in Note 4 \$189,055 (\$187,128 in 2003) was paid in 2004 to meet the accrued superannuation expense for staff in the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

2. Significant Accounting Policies (Continued)

(e) Superannuation (Continued)

In accordance with terms and conditions of appointment determined by the ACT Remuneration Tribunal for the former Auditor-General, monthly superannuation payments totalling \$19,693 were paid in 2004 (\$40,561 in 2003) to a private superannuation fund prior to retirement. Refer Note 4.

(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. The Office has only entered into operating leases.

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).

(g) Cash

Cash is stated at its nominal amount.

(h) Receivables

Receivables are recognised at the amount to be received when they are due for settlement. The collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when the collection of the recorded amount of the receivable is not considered probable. Receivables that are known to be uncollectible are written off.

(i) Payables

Payables represent amounts payable for goods and services provided to the Office prior to the end of the financial year. Liabilities are recognised at the amount to be paid for these goods and services.

(j) Investments

The Office invests all of its surplus cash with the Central Financing Unit (CFU). The CFU coordinates the investment of this money with various fund managers. The fund managers then have the discretion to invest this money in a variety of different investments, within certain parameters.

(k) Comparatives

Where necessary, the prior year comparatives and budget information have been reclassified to facilitate a comparison with the current year presentation of financial information.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

3. Managing the Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS)

Those involved in the preparation of the Office's financial statements have familiarised themselves with the Australian Equivalents to International Financial Reporting Standards (AIFRS) and assessed the potential impact of adopting AIFRS on the accounting policies used in the preparation of the Office's financial statements. Based on this assessment the Office expects no key differences in accounting policies to arise from the adoption of AIFRS.

4. Employee Expenses

	2004	2003
	\$	\$
Salaries	1,480,081	1,459,149
Annual Leave	125,831	16,855
Long Service Leave	124,911	44,809
Fringe Benefits Tax	39,467	35,806
Vehicle Lease	29,357	41,120
Superannuation		
- Former Auditor-General [see Note (2e)]	19,693	40,561
- Other Staff [see Note (2e)]	189,055	187,128
Temporary Audit Staff – Performance Audits	-	7,363
Temporary Audit Staff – Financial Audits	29,453	82,451
	2,037,848	1,915,242

The \$122,606 (6%) increase in *Employee Expenses* is mostly due to the transfer to the Office of annual and long service leave entitlements for the new Auditor-General.

5. Supplies and Services

	2004	2003
	\$	\$
Contractors – Performance Audits	2,655	10,847
– Financial Statement Audits	585,258	544,410
– Other	23,586	6,244
	611,499	561,501
Office Accommodation Lease	100,421	115,837
Electricity, Gas and Cleaning	13,864	13,314
Information Technology	131,606	113,511
Computer Software and Consumables	9,957	10,586
Library Journals and Subscriptions	19,364	24,241
Legal Services Received Free of Charge (Note 22)	7,326	-
Printing	12,811	19,921
Telephones	16,403	18,243
Payroll and Recruitment Processing	14,364	13,960
Training	55,441	42,605
Resources Provided Free of Charge (Note 22)	5,309	7,149
Loss on Disposal of Assets	7,440	-
Other	80,302	95,032
	1,086,107	1,035,900

THE ACT AUDIT OFFICE

Notes to the Financial Statements
For the Year Ended 30 June 2004

5. Supplies and Services (continued)

	2004	2003
	\$	\$
Proceeds from the disposal of assets	-	-

The \$50,207 (5%) increase in *Supplies and Services* mostly due to increases in:

- i. Fees charged by private sector contractors who provide audit services on behalf of the Office;
- ii. Information Technology charges; and
- iii. Additional staff training undertaken during the year.

6. Depreciation Expense

	2004	2003
	\$	\$
Office Fitout	15,832	15,832
Office Equipment	1,180	1,180
Computer Equipment	18,672	18,672
Furniture and Fittings	1,285	1,285
	36,969	36,969

7. Cash

	2004	2003
	\$	\$
Bank	194,012	197,437
Petty Cash	500	500
	194,512	197,937

8. Receivables

	2004	2003
	\$	\$
Invoiced Financial Statement Audit Debtors (i)	182,050	57,317
Accrued Financial Statement Audit Income (ii)	663,642	478,810
Goods and Services Tax Net Receivable (iii)	3,227	18,354
Other Accrued Revenue	4,744	10,362
	853,663	564,843

The \$288,820 (51%) increase in *Receivables* mostly relates to *Invoiced Financial Statement Audit Debtors* and *Accrued Financial Statement Audit Income*. The significant increase resulted from the 30 June 2004 financial statement audits program commencing earlier (around one month earlier) than in prior years. The 2004 audit program was commenced earlier to ensure that the audits of the financial statements of the Territory and its agencies was completed before the October ACT Government election and earlier than in prior years. Part of the increase is also due to the recovery of charges from financial statement audit contractor invoices that were higher than that received near the end of the previous year.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

8. Receivables (Continued)

- (i) *Invoiced Financial Statement Audit Debtors* – represents amounts billed to auditees for the audit of their financial statements. Credit terms are net 14 days.
- (ii) *Accrued Financial Statement Audit Income* – represents unbilled amounts receivable from auditees for audit work performed up until the end of the financial year.
- (iii) *Goods and Services Tax Net Receivable* – is the amount receivable from the Australian Taxation Office (ATO) when the Business Activity Statement is lodged on a quarterly basis. The amount is the net of the Goods and Services Tax (GST) paid on supplies and the GST collected from financial statement audits payable to the ATO.

Aging of Receivables	2004	2003
	\$	\$
Not Overdue	671,613	507,526
Overdue for less than 30 days	182,050	57,317
Overdue for 30 to 60 Days	-	-
Overdue for more than 60 days	-	-
Sub Total	<u>853,663</u>	<u>564,843</u>
Less: Allowance for Doubtful Debts	-	-
	853,663	564,843

	2004	2003
	\$	\$
Receivables with other ACT Government Entities		
Invoiced Financial Statement Audit Debtors	182,050	54,187
Accrued Financial Statement Audit Income	645,036	471,209
Other Accrued Revenue	2,063	1,088
Sub Total	<u>829,149</u>	<u>526,484</u>
Less: Allowance for Doubtful Debts	-	-
	829,149	526,484

	2004	2003
	\$	\$
Receivables with Non ACT Government Entities		
Invoiced Financial Statement Audit Debtors	-	3,130
Accrued Financial Statement Audit Income	18,606	7,601
Good and Services Tax Paid on Supplies	3,227	18,354
Other Accrued Revenue	2,681	9,274
Sub Total	<u>24,514</u>	<u>38,359</u>
Less: Allowance for Doubtful Debts	-	-
	24,514	38,359
Total Receivables	853,663	564,843

THE ACT AUDIT OFFICE

Notes to the Financial Statements
For the Year Ended 30 June 2004

9. Investments

	2004	2003
	\$	\$
Investments with the Central Financing Unit	300,000	100,000
	300,000	100,000

The \$200,000 (200%) increase in *Investments* is the result of the Office investing cash not immediately required to meet expenses.

10. Other Current Assets

	2004	2003
	\$	\$
Prepayments	7,203	12,471
	7,203	12,471

11. Plant and Equipment

	2004	2003
	\$	\$
Office Equipment (at cost)	5,900	30,201
Less Accumulated Depreciation	(4,203)	(27,324)
	1,697	2,877
Office Fitout (at cost)	79,161	79,161
Less Accumulated Depreciation	(45,313)	(29,481)
	33,848	49,680
Computer Equipment (at cost)	71,034	93,357
Less Accumulated Depreciation	(68,115)	(64,325)
	2,919	29,032
Furniture and Fittings (at cost)	15,862	20,927
Less Accumulated Depreciation	(14,978)	(18,759)
	884	2,168
Total Plant and Equipment (at cost)	171,957	223,646
Less Accumulated Depreciation	(132,609)	(139,889)
Total Carrying Value	39,348	83,757

The \$44,409 (53%) decrease in *Plant and Equipment* was the result of the annual depreciation charge and the write-off some computer equipment that was no longer operational.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

11. Plant and Equipment (Continued)

Reconciliations of the carrying amounts of Plant and Equipment at the beginning and at the end of the current and previous financial years		
	2004	2003
	\$	\$
Office Equipment		
Carrying Amount at the Beginning of the Year	2,877	4,057
Additions	-	-
Depreciation	(1,180)	(1,180)
Carrying Amount at the End of the Year	<u>1,697</u>	<u>2,877</u>
Office Fitout		
Carrying Amount at the Beginning of the Year	49,680	65,512
Additions	-	-
Depreciation	(15,832)	(15,832)
Carrying Amount at the End of the Year	<u>33,848</u>	<u>49,680</u>
Computer Equipment		
Carrying Amount at the Beginning of the Year	29,032	47,704
Additions	-	-
Write-offs	(7,441)	-
Depreciation	(18,672)	(18,672)
Carrying Amount at the End of the Year	<u>2,919</u>	<u>29,032</u>
Furniture and Fittings		
Carrying Amount at the Beginning of the Year	2,168	3,453
Additions	-	-
Depreciation	(1,284)	(1,285)
Carrying Amount at the End of the Year	<u>884</u>	<u>2,168</u>

12. Payables

	2004	2003
	\$	\$
Creditors and Accruals (i)	<u>154,338</u>	<u>67,898</u>
	154,338	67,898

The \$86,440 (127%) increase in *Payables* is mostly due to more financial statement audit contractor invoices being received near the end of the financial year than in the previous year.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

12. Payables (continued)

- (i) *Creditors and Accruals* – represents amounts payable for goods and services provided to the Office prior to the end of the financial year. Liabilities are recognised at the amount to be paid for these goods and services. These liabilities are settled on 28 day terms.

Aging of Payables	2004	2003
	\$	\$
Not Overdue	25,182	48,482
Overdue for less than 30 days	129,156	19,416
Overdue for 30 to 60 Days	-	-
Overdue for more than 60 days	-	-
	154,338	67,898

Payables with other ACT Government Entities	2004	2003
	\$	\$
Creditors and Accruals	19,404	23,422
	19,404	23,422

Payables with other Non ACT Government Entities	2004	2003
	\$	\$
Creditors and Accruals	134,934	44,476
	134,934	44,476
Total Payables	154,338	67,898

13. Employee Benefits

	2004	2003
	\$	\$
Current		
Accrued Salaries	-	47,597
Provision for Salary Packaging Expenses	15,389	12,333
Provision for Long Service Leave	-	72,965
Provision for Annual Leave	153,285	145,381
	168,674	278,276
Non Current		
Provision for Annual Leave	74,436	-
Provision for Long Service Leave	293,800	176,695
	368,236	176,695
Total Employee Benefits	536,910	454,971

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

13. Employee Benefits (continued)

The \$109,602 (39%) decrease in Current *Employee Benefits* was mostly due to:

- i. the payout of significant long service obligations on the retirement of long serving officers including the former Auditor-General and Director, Performance Audits;
- ii. no salary accrual being required at the end of the financial year; and
- iii. The \$191,541 (108%) increase in Non Current *Employee Benefits* was mostly due to the transfer to the Office of annual and long service leave entitlements for the new Auditor-General.

Staffing Levels

At 30 June 2004 there were 26.25 full time staff equivalents employed by the Office (30 June 2003 – 24.5 full time staff equivalents).

14. Other Liabilities

	2004 \$	2003 \$
Current		
Lease Incentive Liability	12,829	12,829
Revenue in Advance – Financial Statement Audit Fees	21,950	-
	<u>34,779</u>	<u>12,829</u>
Non Current		
Lease Incentive Liability	18,175	31,003
	<u>18,175</u>	<u>31,003</u>

The \$21,950 (171%) increase in Current *Other Liabilities* was due to the receipt of two financial statement audit fees being charged in advance of the work being performed.

The \$12,828 (41%) decrease in Non Current *Other Liabilities* was due to the lease incentive liability in relation to the non-cancellable operating lease for Office accommodation being amortised over the lease term.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

15. Accumulated Funds

	2004	2003
	\$	\$
Balance at the Beginning of the Year	392,307	366,807
Net Financial Effect of the Adoption of Revisions to an Accounting Standard (See 1 below)	-	(16,034)
Operating Surplus from Ordinary Activities	258,217	41,534
Balance at the End of the Year	650,524	392,307

(1) Net Financial Effect of the Adoption of Revisions to an Accounting Standard Change in the Prior Year

Following revisions to *AASB 1028 Employee Benefits*, liabilities for *Employee Benefits* are required to be measured at rates expected to be payable when the liabilities are settled. This change to *AASB 1028* is reflected in the accounting policies described in Note 1 (c) for *Salaries, Annual Leave and Long Service Leave*. This revision to *AASB 1028* has resulted in a change to the previous policy of measuring these liabilities at the remuneration rates applicable to employees at the reporting date.

As a result of this change in the prior year's accounting policy for the measurement of *Employee Benefits* the opening balance of *Employee Benefits* was increased by \$16,034 with the corresponding adjustment of \$16,034 being made to the opening balance of *Accumulated Funds*.

16. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Statement of Cash Flows to the Related Items in the Statement of Financial Position.

	2004	2003
	\$	\$
Cash at Bank	194,512	197,937
Investments with the Central Financing Unit - At call	300,000	100,000
Cash and Cash Equivalents at the End of the Financial Year as recorded in the Statement of Cash Flows	494,512	297,937

Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus

	2004	2003
	\$	\$
Operating Surplus	258,217	41,534
Depreciation	36,969	36,969
Loss on Disposal of Assets	7,440	-
Change in Assets and Liabilities		
Increase/(Decrease) in Payables	86,440	(93,817)
Increase in Employee Benefits	81,939	64,486
Increase in Other Liabilities	9,122	1,887
(Increase)/Decrease in Receivables	(288,820)	105,767
(Increase)/Decrease in Other Current Assets	5,268	(592)
Net Cash Inflows from Operating Activities	196,575	156,234

THE ACT AUDIT OFFICE

Notes to the Financial Statements
For the Year Ended 30 June 2004

17. Auditor's Remuneration

The Treasurer appointed the auditor. The auditor's remuneration for the audit of the Office's financial statements for 2004 is \$5,800 (2003: \$5,910).

Neither the auditor nor a related practice of the auditor provided any other services to the Office during the year.

18. Commitments

Operating Lease Commitments

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

	2004	2003
	\$	\$
Not later than one year	352,610	366,284
Later than one year and not later than five years	182,290	512,930
Later than five years	-	-
	<u>534,900</u>	<u>879,214</u>

Operating Lease Commitments fell by \$344,314 (39%) as the current lease for Information Technology equipment expires at 30 June 2005 and another year of the Office's accommodation lease has elapsed.

* The Office accommodation lease is subject to review in October 2004. The Office accommodation lease expires on 30 September 2006.

Other Commitments

Other commitments to financial statement audit contractors are as follows.

	2004	2003
	\$	\$
Not later than one year	462,536	522,401
Later than one year and not later than five years	-	371,771
Later than five years	-	-
	<u>462,536</u>	<u>894,172</u>

Other Commitments fell by \$431,636 (48%) because these contracts only have one year remaining prior to their expiration on 30 June 2005.

19. Contingent Liabilities

There were no contingent liabilities known to exist in respect of the claims against the Office.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

21. Act of Grace Payments, Waivers and Write-Offs

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

22. Resources Free of Charge

Resources received and provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value.

Resources Provided Free of Charge

During the reporting period the Office provided financial audit services to the Public Trustees Office for the Canberra Bushfire Appeal at no charge.

Revenue of \$5,309 (2003: \$7,149) is disclosed as Revenue from Ordinary Activities as part of *Financial Statement Audit Fees* with the corresponding expenditure being recorded as part of *Supplies and Services* (Note 5) in the Statement of Financial Performance.

Resources Received Free of Charge

The Government Solicitors Office within the Department of Justice and Community Safety provided legal services to the Office to the value of \$7,326 (2003: nil). Revenue of \$7,326 (2003: nil) is disclosed as *Resources Free of Charge* with the corresponding expenditure being recorded as part of *Supplies and Services* (Note 5) in the Statement of Financial Performance.

23. 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	See Note 2 (g)	
Receivables	8	See Note 2 (h)	See Note 8
Investments	9	See Note 2 (j)	
Financial Liabilities			
Payables	12	See Note 2 (i)	See Note 12

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 and receivables and the expected short term to payment of payables.

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

23. Financial Instruments (Continued)

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. As financial liabilities are non interest bearing the Office is not exposed to movements in interest rates.

2004

Financial Assets	Weighted Average Interest Rate %	Floating Interest Rate	Non Interest Bearing	Total
Cash	-	-	194,512	194,512
Receivables	-	-	853,663	853,663
Investments	5.39%	300,000	-	300,000
Total		300,000	1,048,175	1,348,175
Financial Liabilities				
Payables	-	-	154,338	154,338
Total		-	154,338	154,338
Net Financial Assets		300,000	893,837	1,193,837

2003

Financial Assets	Weighted Average Interest Rate %	Floating Interest Rate	Non Interest Bearing	Total
Cash	-	-	197,937	197,937
Receivables	-	-	564,843	564,843
Investments	5%	100,000	-	100,000
Total		100,000	762,780	862,780
Financial Liabilities				
Payables	-	-	67,898	67,898
Total		-	67,898	67,898
Net Financial Assets		100,000	694,882	794,882

THE ACT AUDIT OFFICE

Notes to the Financial Statements

For the Year Ended 30 June 2004

23. Financial Instruments (Continued)**Reconciliation of Net Financial Assets to Net Assets**

	2004	2003
	\$	\$
Net Financial Assets as above	1,193,837	794,882
Non Financial Assets and Liabilities		
Other Current Assets	7,203	12,471
Property, Plant and Equipment	39,348	83,757
Employee Benefits	(536,910)	(454,971)
Other Liabilities	(52,954)	(43,832)
Net Assets as per the Statement of Financial Position	650,524	392,307

24. Related Parties

The Australian Accounting Standard AAS 22: *Related Party Disclosures* (AAS 22) applies only to private sector entities. One of the significant requirements of AAS 22 is to require the financial statements of private sector entities to disclose transactions that have taken place between the directors³ of an entity and parties that are related to the directors.

The Audit Office considers that it represents better practice to include related party disclosures in its financial statements. The following disclosures are therefore made in relation to the Auditor-General, the Director, Performance Audits and Administration and the Director, Financial Audits.

The Director, Financial Audits is the brother of an Executive Director in WalterTurnbull. WalterTurnbull conducts financial statements audits under contract for the Office from time to time. Any potential conflict of interest was addressed by the Director, Financial Audits not being involved in the selection of audit contractors or in the Office's management of any contract with WalterTurnbull. All transactions with WalterTurnbull are conducted on an arms length basis and under terms and conditions that are no more favourable than those applicable to other audit contractors engaged by the Office.

During 2003-04, Walter Turnbull was contracted by the Audit Office to provide training in relation to the implementation of International Financial Reporting Standards. They were selected as they had provided similar material for CPA Australia. The amount paid to WalterTurnbull for this training was \$2,876.

³ AAS 22 defines a 'director' as any person that directs an entity in its financial and operating activities independently or in concert with others (regardless of whether known by that title); or any person occupying or acting in the position of director of an entity, by whatever name called and whether or not validly appointed to occupy or duly authorised to act in the position; or any person in accordance with whose directions or instructions the directors of an entity are accustomed to act.

THE ACT AUDIT OFFICE

Statement of Performance for the Year Ended 30 June 2004

Overall Office Performance				
Measures	Notes	Target	Result	Variance from Target (%)
Costs and Fees				
Internal costs	1	\$2.486m	\$2.573m	3%
Contract audit costs	2	\$0.510m	\$0.588m	15%
Total costs	3	\$2.996m	\$3.161m	6%
Audit cost per hour excluding contract costs	4	\$77.69	\$82.71	6%
Revenue	5	\$3.092m	\$3.419m	11%
Quantity				
Total hours charged to audits	6	32,000	31,109	(3%)
Number of reports presented to the Legislative Assembly	7	9	4	(56%)

This Statement of Performance should be read in conjunction with the accompanying explanations.

Explanations

1. *Internal costs* exceeded target mainly due to:
 - i. the transfer to the Office of annual and long service leave entitlements for the new Auditor-General;
 - ii. increases in information technology charges; and
 - iii. additional staff training undertaken during the year.
2. *Contract audit costs* exceeded the target due mainly to increases in fees charged by private sector contractors who provide audit services on behalf of the Office.
3. *Total costs* exceeded the target for the reasons provided in explanations 1 and 2 above.

THE ACT AUDIT OFFICE

Statement of Performance for the Year Ended 30 June 2004

Explanations (continued)

4. *Audit cost per hour excluding contract costs* represents *Internal costs* (measure 1) divided by *Total hours charged to audits* (measure 6).

Audit cost per hour excluding contract costs exceeded the target because of the higher *Internal costs* (measure 1) as explained in explanation 1 above combined with the total hours spent on audits being less than expected as explained in explanation 6 below.

5. *Revenue* exceeded expectations because the 30 June 2004 financial statement audits program commenced earlier (around one month earlier) than in prior years. The 2004 audit program commenced earlier to ensure that the audits of the financial statements of the Territory and its agencies was completed before the October ACT Government elections and earlier than in prior years. Part of the increase is also due to the recovery of higher charges from financial statement audit contractors.
6. *Total hours charged to audits* was less than expected mostly due to audit positions not being immediately filled following the departure of audit staff, staff being assigned to corporate tasks and additional staff training and development.
7. *Number of reports tabled in the Legislative Assembly* was significantly less than expected due to the departure of most senior staff involved in performance audits during the year.

THE ACT AUDIT OFFICE

Statement of Performance for the Year Ended 30 June 2004

Financial Statement Audits				
Measures	Notes	Target	Result	Variance from Target (%)
Costs and Fees				
Internal costs	1	\$1.462m	\$1.531m	5%
Contract audit costs	2	\$0.500m	\$0.585m	17%
Total costs	3	\$1.962m	\$2.116m	8%
Audit costs per hour excluding contract costs	4	\$76.95	\$80.82	5%
Fees charged	5	\$2.125m	\$2.424m	14%
Quantity				
Total hours charged to audits	6	19,000	18,943	-
Number of audit opinions issued on financial statements	7	85	86	1%
Number of reports presented to the Legislative Assembly	8	1	1	-
Quality/Effectiveness				
Audits performed to professional standards	9	Internal Assessment	Internal Assessment	-
Chief Executives' satisfaction	10	90%	100%	11%
Timeliness				
Audits completed within agreed timetable	11	100%	100%	-

This Statement of Performance should be read in conjunction with the accompanying explanations on the following page.

THE ACT AUDIT OFFICE

Statement of Performance for the Year Ended 30 June 2004

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.
Internal costs slightly exceeded the target due to:
 - i. the transfer to the Office of annual and long service leave entitlements for the new Auditor-General;
 - ii. increases in information technology charges; and
 - iii. additional staff training undertaken during the year.
2. *Contract audit costs* exceeded the target due mainly to increases in fees charged by private sector contractors who provide audit services on behalf of the Office.
3. *Total costs* exceeded the target for the reasons provided in explanations 1 and 2 above.
4. *Audit cost per hour excluding contract costs* represents *Internal costs* (measure 1) divided by *Total hours charged to audits* (measure 6).
Audit cost per hour excluding contract costs exceeded the target mostly because *Internal costs* exceeded expectations for the reasons indicated in explanation 1 above.
5. *Fees charged* exceeded expectations by \$299,000 mostly because of the:
 - i. earlier commencement of the 30 June 2004 financial statement audits program (around one month earlier) than in prior years. The 2004 audit program commenced earlier to ensure that the audits of the financial statements of the Territory and its agencies was completed before the October ACT Government elections and earlier than in prior years. Around \$185,000⁴ in revenue was brought forward due to the earlier commencement of the audit program;
 - ii. recovery of higher charges from financial statement audit contractors - \$54,000⁵; and
 - iii. fee increases charged to auditees to recover rises in Audit Office costs.
6. *Total hours charged to audits* was in line with budget expectations.
7. *Number of audit opinions issued on financial statements* was in line with expectations.
The audit opinions issued are listed on the following pages.

⁴ *Accrued Financial Statement Audit Income* receivable rose by \$184,832 from \$478,810 to \$663,642. See Note 8 to the Audited Financial Statements.

⁵ *Invoiced Financial Statement Audit Debtors* rose by \$124,733 from \$57,317 to \$182,050 of which \$53,768 related to these increases in contractors fees.

THE ACT AUDIT OFFICE

Statement of Performance for the Year Ended 30 June 2004

Explanations (continued)

FINANCIAL STATEMENT AUDITS COMPLETED IN 2002-2003⁶

Territory Financial Statements

1. Consolidated Annual Financial Statements

Departmental Financial Statement Audits

2. ACT Department of Disability, Housing and Community Services
3. ACT Executive
4. ACT Forests
5. ACT Health
6. ACT Housing
7. ACT Superannuation Unit
8. ACT Workcover
9. Central Financing Unit
10. Chief Minister's Department
11. Department of Education, Youth and Family Services
12. Department of Justice and Community Safety
13. Department of Treasury
14. Department of Urban Services
15. Home Loan Portfolio
16. InTACT Group
17. Land Group
18. Legislative Assembly Secretariat

Statutory Authorities

19. ACT Community Care – 31 December 2002
20. ACT Gambling and Racing Commission
21. ACT Health and Community Care Service – 31 December 2002
22. ACT Insurance Authority
23. ACTION Authority
24. Agents Board of the ACT – 30 June 2003
25. Agents Board of the ACT – 31 October 2003
26. Australian International Hotel School
27. Australian Capital Tourism Corporation
28. Building and Construction Industry Training Fund Board
29. Canberra Institute of Technology

⁶ These are financial statement audits that were completed and audit opinions issued in the period for 1 July 2003 to 30 June 2004. This list includes audits for years ending 30 June 2003 and 31 December 2003.

THE ACT AUDIT OFFICE

Statement of Performance for the Year Ended 30 June 2004

Explanations (continued)

Statutory Authorities (Continued)

30. Canberra Public Cemeteries Trust
31. Cleaning Industry Long Service Leave Board
32. Construction Industry Long Service Leave Board
33. Cultural Facilities Corporation
34. Gungahlin Development Authority
35. Healthpact
36. Independent Competition and Regulatory Commission
37. Kingston Foreshore Development Authority
38. Kingston Stage 1A Joint Venture
39. Legal Aid Office
40. National Exhibition Centre Trust (EPIC)
41. Public Trustee for the ACT – Office Account
42. Public Trustee for the ACT – Trust Account
43. Stadiums Authority
44. The Canberra Hospital – 31 December 2002
45. University of Canberra

Territory Owned Corporations and Other Companies

46. ACTEW China Pty Ltd
47. ACTEW Corporation Ltd
48. ACTEW Distribution Ltd
49. ACTEW Retail Ltd
50. ACTTAB Ltd
51. CIT Solutions Pty Ltd
52. ECOWISE Environmental 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 Joint Venture
57. Amaroo 3 Pty Ltd
58. Dunlop 1 – Jarramlee Park
59. Gordon 1 / Gordon 9 Southside Estates
60. Harcourt Hill Estate
61. Harcourt Hill Estate Pty Ltd
62. Nicholls Lakeside Estate
63. Nicholls Lakeside Estate Pty Ltd
64. Palmerston 4 Joint Venture

THE ACT AUDIT OFFICE

**Statement of Performance
for the Year Ended 30 June 2004**

Explanations (continued)

Other Audits

- 65. ActewAGL Concise Statements
- 66. ActewAGL Distribution Partnership
- 67. ActewAGL Joint Venture General Purpose
- 68. ActewAGL Retail Partnership
- 69. Australian National Training Authority – AVETMISS
- 70. Australian National Training Authority – Baseline Funding
- 71. Australian National Training Authority - Recurrent
- 72. Canberra Bushfire Recovery Appeal Fund
- 73. Canberra Business Development Fund – June 2003
- 74. Canberra Business Development Fund – December 2003
- 75. City Edge Joint Venture
- 76. Commonwealth Funding under Australian Land Transport Development Act 1988
- 77. Commonwealth Funding under Interstate Road Transport Act 1985
- 78. Commonwealth Funding under Roads to Recovery Act 2000
- 79. Commonwealth State Housing Agreement 2002
- 80. Commonwealth State Housing Agreement 2003
- 81. Community Housing Canberra Ltd
- 82. DEST Grant Acquittal Audit
- 83. Natural Disaster Relief Arrangements
- 84. Nicholls Primary School Joint Facilities
- 85. Nominal Insurer
- 86. Workers' Compensation Supplementation Fund

- 8. *Number of reports presented to the Legislative Assembly* - one report was presented to the Legislative Assembly on financial audits.
- 9. *Audits performed to professional standards* – audits are subject to internal quality review to ensure that they meet professional standards.
- 10. *Chief Executive's Satisfaction* - Eighteen Chief Executives, selected on a random basis, were requested to rate their satisfaction with financial statement audits completed during 2002-2003. The results of the survey are shown below.

Rating	No. of Responses
Very Good	6
Good	9
Satisfactory	3
Poor	-
Very Poor	-
No Response	-

- 11. *Audits completed within agreed timetable* – audits were completed in accordance with the relevant timetable.

THE ACT AUDIT OFFICE

Statement of Performance
for the Year Ended 30 June 2004

Performance Audits and Other Related Functions				
Measures	Notes	Targets	Result	Variance from Target (%)
Costs and Appropriation				
Internal costs	1	\$1.024m	\$1.042m	2%
Contract audit costs	2	\$0.010m	\$0.003m	(70%)
Total costs	3	\$1.034m	\$1.045m	1%
Audit costs per hour excluding contract costs	4	\$78.77	\$85.65	9%
Appropriation	5	\$0.961m	\$0.961m	-
Quantity				
Number of reports presented to the Legislative Assembly	6	8	3	(63%)
Quality/Effectiveness				
Audits performed to professional standards	7	Internal Assessment	Internal Assessment	-
Legislative Assembly Members' satisfaction with reports quality	8	90%	100%	11%
Chief Executives' satisfaction	9	90%	100%	11%
Timeliness				
Percentage of audits completed within 9 months	10	100%	33%	(67%)

This Statement of Performance should be read in conjunction with the accompanying explanations on the following page.

THE ACT AUDIT OFFICE

Statement of Performance for the Year Ended 30 June 2004

Explanations

1. *Internal costs* are calculated by multiplying the number of hours charged to performance audits by the audit cost per hour for each officer.

Internal costs slightly exceeded the target due to:

- i. the transfer to the Office of annual and long service leave entitlements for the new Auditor-General;
 - ii. increases in information technology charges; and
 - iii. additional staff training undertaken during the year.
2. *Contract audit costs* – the costs were less than target because fewer external contractors were used than expected.
 3. *Total costs* slightly exceeded the target for the reasons provided in explanations 1 and 2 above.
 4. *Audit costs per hour excluding contract costs* represents total costs (measure 3) less contract audit costs (measure 2), divided by total hours charged to audits (measure 6).
Audit costs per hour excluding contract costs were higher than the target mostly because the total hours spent on audits were less than expected for the reasons provided below in explanation 6.
 5. *Appropriation* - this is the amount provided by the Legislative Assembly for the Audit Office to undertake performance audits and related activities. The amount provided was in line with expectations.
 6. *Number of reports presented to the Legislative Assembly* - the following reports were presented to the Legislative Assembly during the year:
 - i. Administration of Policing Services;
 - ii. Travel Arrangements and Expenses; and
 - iii. Revenue Estimates in Budget Papers 2002-03.

Number of reports tabled in the Legislative Assembly was significantly less than expected due to the departure of most senior staff involved in performance audits during the year.

7. *Audits performed to Professional Standards* - all audits are subject to internal quality review to ensure that they meet professional standards.

THE ACT AUDIT OFFICE

**Statement of Performance
for the Year Ended 30 June 2004**

Explanations (continued)

8. *Legislative Assembly Members' satisfaction with reports quality* - the Public Accounts Committee was surveyed on their satisfaction with the quality of performance audit reports. The results of the survey are shown below for the responses received.

Rating	No. of Responses
Very Good	-
Good	1
Satisfactory	-
Poor	-
Very Poor	-
No Response	-

9. *Chief Executives' satisfaction* – Chief Executives were surveyed on their satisfaction with performance audit reports and the responses were as follows.

Rating	No. of Responses
Very Good	1
Good	4
Satisfactory	3
Poor	-
Very Poor	-
No Response	1

10. *Percentage of audits completed within 9 months* - this measure covers the performance audits completed and reported in 2003-04. The number of audits completed within 9 months was less than expected due to the departure of senior staff in the Performance Audit area.



The Director

Canberra Assurance Specialist Pty Ltd
PO Box 4186
Manuka ACT 2603

INDEPENDENT AUDIT REPORT

ACT Auditor General's Office

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

Scope

The annual financial report and ACT Auditor-General's responsibility

The annual financial report of the ACT Auditor-General's Office for the year ended 30 June 2004 comprises the statement of responsibility by the ACT Auditor General, statement of financial performance, statement of financial position, statement of cash flows, statement of appropriations, statement of performance and accompanying notes 1 to 24.

The Auditor-General is responsible for the preparation and true and fair presentation of the annual financial report in accordance with Section 28 of the *Financial Management Act 1996*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the annual financial report.

Audit approach

Our responsibility is to express an opinion on the annual financial report required under Section 29 of the *Financial Management Act 1996*. Our audit has been conducted in accordance with Australian Auditing and Assurance Standards, to provide reasonable assurance whether the annual financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to establish whether in all material aspects the annual financial report presents fairly, in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory professional reporting requirements in Australia a view which is consistent with our understanding of the ACT Auditor-General's Office's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed the audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the annual financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management and the ACT Auditor-General.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by management of the ACT Auditor-General's Office.

The audit opinion expressed in this report has been formed on the above basis.

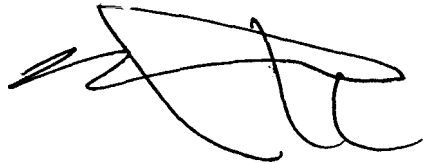
Audit Opinion

In our opinion, the annual financial report of the Auditor-General's Office:

- Gives a true and fair view of the financial position of the ACT Auditor-General's Office as at 30 June 2004, and of its performance and results of its cash flows for the year ended on that date, and
- Is presented in accordance with the *Financial Management Act 1996* Accounting Standards and other mandatory professional reporting requirements in Australia.

Canberra Assurance Specialist Pty Ltd

Canberra Assurance Specialist Pty Ltd



John Little

Registered Company Auditor

CANBERRA

26 July 2004

APPENDIX 2 - FINANCIAL STATEMENT AUDIT FEES

Section 16(6) of the *Auditor-General Act 1996* requires the Audit Office's annual report to include details of the basis on which fees for audits conducted during the reporting period were decided by the Auditor-General.

During 2003, agency fees for financial statement audits undertaken by the Audit Office were set on the basis of the previous year's fees plus an average of a 4% increase. For agencies where there was a major change in operations or where significant audit issues were identified, the fees were adjusted accordingly.

Fees for audits undertaken principally by contractors are set on the basis of the audit fee payable to the contractors plus costs for associated work undertaken by Audit Office staff.

Agency	2003 Audit Fee \$	2002 Audit Fee \$
Territory Financial Statements		
Consolidated Annual Financial Statements	58,900	56,727
	58,900	56,727
Departmental Financial Statement Audits		
Department of Disability, Housing and Community Services	40,000	Not applicable
ACT Executive	5,900	5,700
ACT Forests	33,500	32,000
ACT Health	110,000	67,100
ACT Housing	60,350	58,100
ACT Superannuation Unit	30,000	20,000
ACT Workcover	19,250	18,500
Central Financing Unit	28,700	27,600
Chief Minister's Department	80,200	77,200
Department of Education, Youth and Family Services	84,600	81,500
Department of Justice and Community Safety	86,700	83,500
Department of Treasury	85,000	91,000
Department of Urban Services	173,400	167,000
Home Loan Portfolio	9,500	Not applicable
InTACT Group	45,700	45,500
Land Group	65,300	80,500
Legislative Assembly Secretariat	14,000	10,000
	972,100	865,200
Statutory Authorities		
ACT Community Care	30,500	29,500
ACT Gambling and Racing Commission	16,650	16,000
ACT Insurance Authority	34,000	19,000
ACTION Authority	55,000	68,990
Agents Board of the ACT – 30 June 2003	8,900	8,500
Agents Board of the ACT – 31 October 2003	9,500	Not applicable
Australian International Hotel School	18,000	18,000
Australian Capital Tourism Corporation	15,000	17,000
Building and Construction Industry Training Fund Board	4,900	4,700
Canberra Institute of Technology	59,400	57,700
Canberra Public Cemeteries Trust	13,950	13,400
Cleaning Industry Long Service Leave Board	11,500	11,500
Construction Industry Long Service Leave Board	14,400	14,400
Cultural Facilities Corporation	18,000	17,000

APPENDIX 2

Agency	2003 Audit Fee \$	2002 Audit Fee \$
Gungahlin Development Authority	12,000	11,500
Healthpact	6,500	6,200
Independent Competition and Regulatory Commission	5,400	5,200
Kingston Foreshore Development Authority	8,500	7,300
Kingston Stage 1A Joint Venture	3,000	1,500
Legal Aid Office	18,700	18,000
National Exhibition Centre Trust (EPIC)	8,800	8,500
Public Trustee for the ACT – Office Account	11,850	11,400
Public Trustee for the ACT – Trust Account	12,900	12,400
Stadiums Authority	32,200	31,000
The Canberra Hospital	68,000	66,000
University of Canberra	94,500	91,800
	592,050	566,490
Territory Owned Corporations and Other Companies		
ACTEW China Pty Ltd	4,575	5,900
ACTEW Corporation Ltd	101,145	83,400
ACTEW Distribution Ltd	9,190	7,000
ACTEW Retail Ltd	8,730	7,000
ACTTAB Ltd	34,250	33,000
CIT Solutions Pty Ltd	18,600	18,000
ECOWISE Environmental Pty Ltd	16,500	15,000
Gold Creek Country Club Pty Ltd	14,000	12,500
Totalcare Industries Ltd	145,000	145,000
University of Canberra College Pty Ltd	10,300	10,000
Bruce Operations Pty Ltd	Nil	1,500
	362,290	338,300
Land Development Joint Ventures		
Amaroo 3 Joint Venture	7,000	7,500
Dunlop 1 – Jarramlee Park	1,909	2,500
Gordon 1 / Gordon 9 Southside Estates	3,000	4,600
Harcourt Hill Estate	22,550	22,550
Nicholls Lakeside Estate	1,950	1,800
Dunlop 3 – Dunlop Hills	Nil	2,000
Palmerston 4 Joint Venture	1,500	1,500
	37,909	42,450
Other Audits		
ActewAGL Joint Venture	119,500	118,520
Williamsdale Quarry	Nil	40,000
Australian National Training Authority Acquittals	6,000	5,500
Canberra Business Development Fund	4,000	4,000
City Edge Joint Venture	3,500	5,700
Commonwealth Funding Roads Acquittal	3,800	3,650
Commonwealth State Housing Agreement Acquittals	6,900	12,000
Community Housing Canberra Ltd	7,800	7,800
University of Canberra Grant Acquittal	2,845	2,845
Natural Disaster Relief Arrangements	22,230	Not applicable
Nicholls Primary School Joint Facilities	800	800
Nominal Insurer	2,080	2,000
Workers' Compensation Supplementation Fund	5,900	4,100
Guns Buy Scheme Acquittal	Nil	1,200
	185,355	208,115
Total	2,208,604	2,077,282

¹ The financial statement audit fees shown in this table represents the total audit fee charged to agencies. Due to the timing of the audit program which finished in the following financial year, the total of audit fees shown in the table varies from that reported in the audited financial statements due to accrual information being included in the audited financial statements.

**APPENDIX 3 - LEGISLATIVE ASSEMBLY COMMITTEE
INQUIRIES AND REPORTS**

Standing Committee on Public Accounts -Report No. 9 - February 2004

Review of Auditor-General’s Report No. 9 of 2003- Annual Management Report for the Year Ended 30 June 2003.

This report was tabled in the ACT Legislative Assembly on 4 March 2004 and contained the following four recommendations.

Recommendations	Government Response	Action to Date
<p>The Auditor-General consult with the Standing Committee on Public Accounts in relation to the annual audit program at the commencement of each calendar year</p> <p>In the interest of best practice, amendment to Sections 34 and 19 as proposed by the former Auditor-General be incorporated into the Government’s amendments to the Auditor-General Act.’</p> <p>Ms Karin MacDonald MLA (Deputy Chair) dissented from this recommendation.</p>	<p>Agreed in part. In relation to Section 34, the amendments sought by the former Auditor-General have been addressed in the Government’s proposed amendments to the Act. With regard to Section 19, this amendment has not been included in the Government legislation as it is not necessary. The discretion sought by the former Auditor-General is already provided under the legislation.</p>	<p>The Office met and consulted with the PAC on the Office’s proposed performance audit program for 2004-07.</p> <p>The <i>Auditor-General Amendment Bill 2004</i> was tabled in the ACT Legislative Assembly on 14 May 2004. The resultant <i>Auditor-General Amendment Act 2004</i> was passed by the Legislative Assembly on 26 August 2004. The amendments to the <i>Auditor-General Act 1996</i> took effect from 9 September 2004.</p>

Recommendations	Government Response	Action to Date
<p>The Auditor-General incorporate subsection 12(2) of the <i>Auditor-General Act 1996</i> into performance audits, and where this is not done, outline within the report the reasons why.</p>	<p>Noted. This is a matter for the Audit Office.</p>	<p>The Audit Office will include a comment on whether, in the opinion of the Auditor-General, it was appropriate to take into account environmental issues relative to the operations being reviewed or examined, in each performance audit report completed.</p> <p>Three performance audit reports were completed in this reporting year:</p> <ol style="list-style-type: none"> 1. 'The Administration of Policing Services'; 2. 'Travel Arrangements and Expenses'; and 3. 'Revenue Estimates in Budget Papers 2002-03'. <p>These performance audits contained no environmental issues of substance that were relevant to the matters under examination.</p>

Recommendations	Government Response	Action to Date
<p>The Auditor-General's Office budget be increased to take into account the implications of recommendation 3 and that the potential for a dedicated environmental and social auditor position be considered.</p>	<p>Not agreed.</p>	<p>The Audit Office has received an increase in funding for 2004-05 and has employed two senior auditors to enhance its capacity to conduct audits on government services, including those services with strong environmental and social focus.</p>

Select Committee on Estimates

Appropriation Bill 2004-2005 - February 2004

This report was tabled in the ACT Legislative Assembly on 22 June 2004 and contained the following recommendation.

Recommendations	Government/Audit Office Response	Action to Date
<p>The Government ensure that next year's budget provides additional funding to the Auditor-General's Office commensurate with the need to increase the Office's capacity to review performance statements.</p>	<p>Agencies' performance statements are part of the 'financial statements' of agencies. The cost of auditing these statements is met by charging audit fees to these agencies.</p>	<p>The Audit Office was provided an increase in funding for 2004-05. Part of this funding has been used to increase the capacity of the Office to conduct performance audits.</p>
<p>(The Audit Office understands that the Select Committee's recommendation was intended to refer to increasing the Office's capacity to conduct performance audits, not performance statements.)</p>		

APPENDIX 4 - CONTACT INFORMATION

The Office's contact details are set out below.

Postal Address:

ACT Audit Office
PO Box 275
Civic Square
CANBERRA ACT 2608

Location:

ACT Audit Office
11 Torrens Street
Braddon ACT 2612

Telephone: (02) 6207 0833

Facsimile: (02) 6207 0826

Business Hours: 9:00am to 5:00pm Monday to Friday

Website: <http://www.audit.act.gov.au>

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PREVIOUS AUDIT REPORTS⁷

Reports Published in 2004

1. Administration of Policing Services
2. Travel Arrangements and Expenses
3. Budget Estimates in Budget Papers 2002-03

Reports Published in 2003

1. Effectiveness of Annual Reporting
2. Belconnen Indoor Aquatic Leisure Centre
3. Emergency Services
4. Management of Fraud and Corruption Prevention in the ACT Public Sector
5. Lease of FAI House
6. Allegations of Financial Mismanagement University of Canberra Union
7. Compliance Performance Audit – Recruitment Processes
8. Financial Incentive Package for Fujitsu Australia Ltd (FAL)

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
6. Annual Management Report for the Year Ended 30 June 2002
7. Financial Audits with Years Ending to 30 June 2002

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

⁷ 57 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

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

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>