

AUSTRALIAN CAPITAL TERRITORY

**AUDITOR-GENERAL'S REPORT**

ANNUAL REPORT 2005–2006  
REPORT NO. 7 / 2006

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### **The Auditor-General's Office**

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

The Auditor-General's Office undertakes audits on financial statements of Government agencies, and the whole-of-Government consolidated financial statements.

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

The Auditor-General and the Office act independently of the Government, and report the results of the audits directly to the Assembly.

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## ACT AUDITOR-GENERAL'S OFFICE



M06/09

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 Auditor-General's Office (the Office) for the year ended 30 June 2006.

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 Report includes all material information on the operations of the Office, and is an honest and accurate account of its operations during the period from 1 July 2005 to 30 June 2006.

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

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you cause a copy of the Report to be laid before the Legislative Assembly within 3 months of the end of the financial year.

Yours sincerely

Rod Nicholas  
A/g Auditor-General  
25 September 2006



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## **1. AUDITOR-GENERAL'S REVIEW**

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The 2005-06 financial year was busy and rewarding for the Auditor-General's Office (the Office).

The Office started the year with its annual planning process, which assisted in identifying our objectives, strategies and the performance standards we strive for.

Our staff remained committed to implementing the Office's Strategic Plan, with a strong focus on working to ensure the Office is highly valued by its stakeholders, equipped to respond to the needs of those stakeholders (especially the Assembly), and accountable for its performance.

I believe the Office is well on the way to achieving these goals.

Throughout the year, to meet the expectations of the Legislative Assembly and the broader community, the Office continued to review its audit products and approach to ensure that our audit coverage provides an effective and independent review of the performance and accountability of public sector agencies. We seek to ensure our performance and financial audits address priority areas that impact on agency performance, give appropriate coverage to matters of legislative compliance, and also reflect the areas of significant interest to the community.

We successfully completed the annual program of 82 financial audits, including the audits of the Territory and its agencies, in accordance with the required timetable. An important product of the financial audit program is a report summarising the outcomes of the 2004-05 financial audits, which was tabled in the Assembly in December 2005.

As part of our financial audit process, the Office brought to the attention of senior management of government agencies a number of deficiencies in the control environment, as well as weaknesses in financial reporting and administrative processes, and provided advice about these issues. Most agencies have taken appropriate actions to address audit recommendations during the financial audit process. Providing such advisory services to Government agencies added significant value to the on-going improvement in financial reporting and accountability. This required significant effort and commitment from this Office but the outcomes, while greatly valued by agencies, often were not as visible to the Assembly and the community.

We also completed seven performance reports, covering matters as diverse as courts administration, public housing, road safety and government procurement. Almost all of the recommendations from these performance audits were accepted by the audited agencies, and most agencies agreed that the audits would help to improve administration of the audited activity.

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

These achievements were attained despite an unexpectedly high staff turnover rate. In recent years, we have increased the emphasis on providing more opportunities for career progression within the Office, improving performance management and working conditions, expanding training and learning opportunities, and promoting flexible work practices. However, these measures have not been sufficient to counter the strong demand for experienced professionals from other employers within the public and private sectors. This skill shortage has been evident in Audit Offices in all jurisdictions and also in the finance and audit sector. We will continue to examine ways to encourage staff retention, in order to bring the turnover rate to a more sustainable level.

We can expect 2006-07 to offer further challenges. The restructuring of the ACT public sector, as announced in the 2006-07 Budget, is expected to have a significant effect on the operations of the Office, particularly our financial audit activities. There will be a reduction in the number of financial statement opinions required of the Office, but not necessarily a commensurate reduction in the complexity of the financial audits. The Government's new shared service centre, for example, will attract audit attention, especially during its formative years.

At the same time, the demand from the community, Legislative Assembly and public sector agencies for performance auditing and related services remains strong. Additional funding has been made available to the Office in the 2006-07 budget to help meet this demand. The Office has commenced recruitment activities, in a very competitive employment market, and the pressure remains to deliver timely, value-for-money audit services that meet the needs of the various stakeholders. In this respect, we will continue to work closely with the Public Accounts Committee and government agencies to better target our resources to focus on areas of significance.

As well as delivering a program of financial and performance audits, priority activities for 2006-07 include implementation of a new financial audit methodology, developed in collaboration with the Audit Offices of Victoria and Queensland. The new financial audit methodology adopts a public sector focus and gives particular attention to the adequacy of an audited entity's control framework and systems. The Office will also continue to actively participate on a number of initiatives conducted by the Australasian Council of Auditors-General (ACAG), including benchmarking and joint technical and research projects.

I am greatly appreciative of the support provided to this Office by the Legislative Assembly and I am pleased to have received positive feedback from members of the Assembly, in particular the Public Accounts Committee, and from agencies on the work we have delivered throughout the year.



## AUDITOR-GENERAL'S REVIEW

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I wish to acknowledge the hard work of my staff during the year to meet a demanding workload with limited resources. Their professionalism, commitment, and dedication have been reflected in the quality of the work and the excellent feedback from the satisfaction surveys of key stakeholders. I look forward to working closely with all staff in the coming years to ensure the Office continues to achieve its outcomes and objectives.

I am keenly aware of the important and independent role the Office plays in promoting accountability, efficiency and effectiveness in public administration. As an office, we are committed to continuing to work diligently to retain the high regard and trust placed in our Office.



Tu Pham  
Auditor-General  
19 September 2006

## THE AUDITOR-GENERAL'S OFFICE

### OUR ROLE

The Auditor-General for the ACT is a statutory position created by the ACT Legislative Assembly under the *Auditor-General Act 1996*. The Auditor-General is responsible to the ACT public, through its elected representatives in the Legislative Assembly, for the audit of all ACT public sector agencies.

The Auditor-General Act sets out the role and responsibilities of the Auditor-General and hence the ACT Auditor-General's Office. Broadly speaking, the role is to:

- promote accountability in the public administration of the Territory; and
- 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.

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 ACT public sector resources.

### MISSION OF THE OFFICE

The Office's desired outcomes are directly related to our role and activities:

- an accountable, effective, and efficient ACT public sector;
- a highly valued Audit office.

Within this context, the Office's key objectives are to:

- (i) inform the ACT Legislative Assembly and the community of the performance of the ACT public sector;
- (ii) contribute to improving the performance of ACT public sector agencies;
- (iii) shape our services to anticipate and respond to the needs of the Legislative Assembly and other stakeholders;
- (iv) provide opportunities for staff to further enhance their competencies, knowledge and expertise; and
- (v) maintain the cost efficiency of the Office.

## VALUES OF THE OFFICE

The core values that guide our work and behaviours are:

### *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 reflect 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 serves the ACT community, through its elected representatives in the ACT Legislative Assembly. Our key stakeholders also include the ACT Government and its agencies, and our staff.

### *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 credible financial and performance statements.

### *Audit Office Staff*

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

## OVERVIEW

### STRATEGIC AND ORGANISATIONAL PLANNING

In 2005-06, the Office continued to operate under the guidance of its *Strategic Plan 2004-07*. The Strategic Plan 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. In February 2006, the Office reviewed the Plan and confirmed its continuing relevance.

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. Actions from this Plan are included in the 'Activity Status Report' considered fortnightly by the Management Committee. Progress against the Strategic Plan is also discussed at monthly staff meetings.

### RELEVANT LEGISLATION

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*. 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 and performance audits.

The Act supports the independence of the Auditor-General by specifically providing that the Auditor-General and the 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).

TOCs 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 TOCs under the *Corporations Act*.

***Public Interest Disclosure Act 1994***

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

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 the 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.

A proposal to replace the PID Act is currently before the Legislative Assembly (the *Public Interest Disclosure Bill 2006* was presented by the Chief Minister on 8 June 2006). The new Act aims to provide 'clearer and more effective procedures for making, investigating and addressing disclosures about public maladministration'<sup>1</sup> Under the replaced Act, the Auditor-General's role will be restricted to disclosures about matters that relate to the *Financial Management Act 1996*.

***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 (currently, the Public Accounts Committee).

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<sup>1</sup> *Public Interest Disclosure Bill 2006*, Explanatory Statement.

## HIGHLIGHTS

During 2005-06, the Office has achieved its outputs and a high level of performance. In particular, the Office:

- issued 95 financial audit reports (83 in 2004-05), all but three within the timeframe required by ACT Treasury or by legislation or other reporting timetables;
- audited, as part of the financial audit process, more than 1,000 performance measures;
- completed and reported to the Legislative Assembly seven performance audits on a diverse range of subjects and a report summarising the outcomes of the 2004-05 financial audits;
- achieved agreement from agencies (in full, in part, or in principle) to 96% of the 310 recommendations for improvement made in the Office's performance and financial audits;
- achieved a satisfaction rating from chief executives of 'satisfactory' or better for 98% of performance and financial audits completed;
- presented three seminars to staff of ACT public sector agencies on audit processes and on emerging accounting issues and developments in the financial reporting. The seminars were attended by 130 representatives from most Government agencies, and were acknowledged by those attending as well organised and very useful;
- collaborated with the Audit Offices of Victoria and Queensland in the development of a new financial audit methodology, which reflects new accounting and auditing standards, a public sector focus, and will reduce the Office's dependency on private sector providers;
- provided regular briefings to the Public Accounts Committee on completed audits, and enhanced formal liaison with audit committees of major agencies. These briefings and liaison arrangements are an important means of sharing information and improving the Office's understanding of agencies' emerging issues;
- provided learning and development opportunities for staff that averaged 12 days per staff member. These include internal and external training programs, participation in professional development programs run by CPA Australia and the Institute of Chartered Accountants in Australia, and tertiary university programs. This represents an increase of 50% over the previous year; and

- received additional funding during the 2006-07 budget process to enhance the Office's compliance and performance audit capacity. In a time of fiscal constraint within the Government, the additional resource presents an opportunity to keep pace with the increasing demands on the Office (particularly for performance audit work and other matters referred to the Office), as well as recognising the important role the Office plays in improving the performance of public sector agencies.

On a less positive note, staff turn-over remained high, reflecting the strong demand in government and the private sector for experienced audit professionals. The departing staff were mostly senior auditors, and collectively represent a loss to the Office of almost 31 years of experience.

## OUTLOOK

Restructuring of the ACT public sector as announced in the 2006-07 Budget, is expected to have a significant effect on the operations of the Office, particularly in relation to our financial audit activities. The transfer of functions between departments, and the integration of several statutory authorities into departmental structures, will see a reduction in the number of financial statement opinions required of the Office, but not necessarily a commensurate reduction in the complexity of the financial audits. Similarly, the creation of a shared services centre to provide a range of services (including human resource management, finance, information technology and communications, procurement, and records management) to agencies across the public sector requires significant audit attention, especially during its early establishment. For following years, with proper systems and resources, a shared services centre is expected to provide efficiency for auditing services.

The demand for performance auditing and related services from the community, Legislative Assembly, and public sector agencies remains strong. Additional funding has been made available to the Office in the 2006-07 budget to help meet this demand. The Office has commenced recruitment activities, within a very competitive employment market that puts a high demand on auditing and accounting professionals at all levels, and particularly for the more experienced and senior management roles.

As Government agencies continue to be subject to tight budgetary positions, the Office needs to continue to demonstrate that our audits and associated services provide value for money and add value to their operations.

Priority activities for 2006-07 include implementation of a new financial audit methodology, developed in collaboration with the Audit Offices of Victoria and Queensland, and further improvement in the timeliness of performance audits. The new financial audit methodology adopts a public sector focus, and gives particular attention to the adequacy of the audited entity's control framework and systems. Introduction of the methodology will involve a significant training exercise for all financial audit staff.

Continuing changes to relevant legislation, and to audit and reporting standards are expected to place further demands on the Office to keep up-to-date with new international financial reporting standards, and to provide sound advice on audit and accounting issues as they emerge. In this regard, the Office will look to develop its capacity to research audit and accounting issues and provide timely advice and guidance to its stakeholders.

On present employment market conditions, the high staff turnover will remain a significant issue for this Office in the years ahead. As a small Office, there will be constraints on the ability to recruit and retain skilled staff, and the Office will explore further options to address this challenge.



## 2. OFFICE PERFORMANCE

### ANALYSIS OF PERFORMANCE

The Office’s performance assessed against its performance measures is discussed below.

#### PERFORMANCE AUDIT ACTIVITIES

Through its performance audits, the Office provides independent assurance to the Assembly and the public on whether Territory moneys are being spent efficiently and effectively, and in accordance with the law.

In 2005-06, the Office developed a three-year program for performance audits having regard to the Office’s strategic and integrated planning framework. The program is regularly reviewed to respond to resource issues and other priorities that may arise from the need to conduct investigations or reviews that are more urgent, including Public Interest Disclosures.

**Table 2.1: Performance Measures for Performance Audit**

	2003-04 Actual	2004-05 Actual	2005-06 Actual	2005-06 Target
Number of audit reports presented to the Legislative Assembly <sup>1</sup>	4	9	8	9
Average period of completion of audits.	13.7 mths	10.0 mths	8.2 mths	9 mths
Percentage of audits completed within 9 months	0%	38%	43%	95%
Percentage of audits completed within 12 months	33%	62%	100%	95%
Percentage of Chief Executives satisfied with audit reports	100%	100%	97%	95%

<sup>1</sup> This includes the annual report summarising the outcomes of the 2004-05 financial audits.

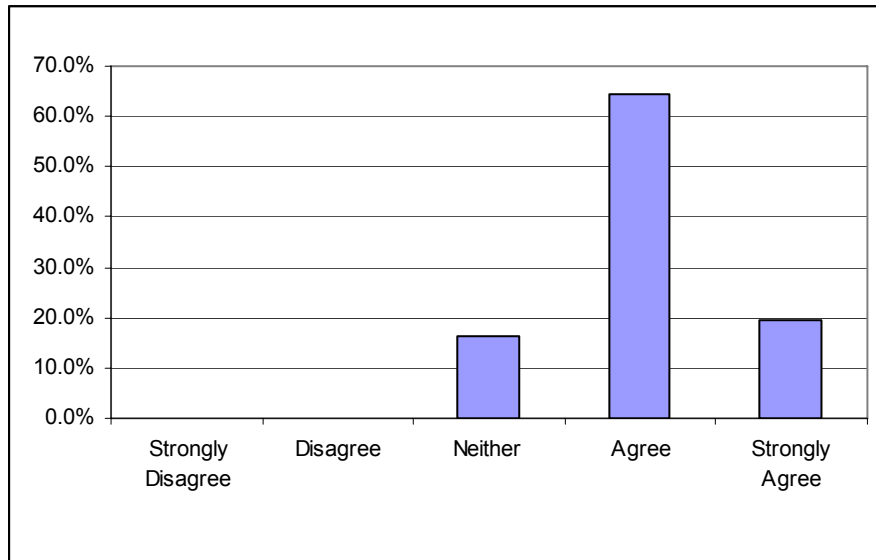
Eight performance audit reports were tabled in the Legislative Assembly (including the summary report on 2004-05 financial audits).

An important focus for the performance audit team during 2005-06 was to reduce the time for the completion of performance audits. The team strives to complete audits within nine months, and achieved an improvement in both the average time for completion, and the percentage of audits completed within nine months. Further improvement is desirable, with a longer-term goal of completing most audits within a six-month period.

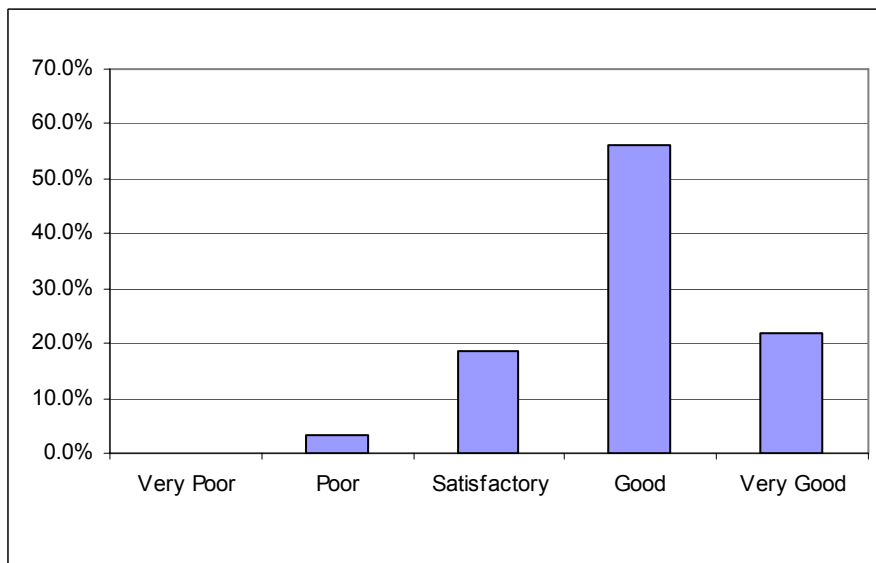
## OFFICE PERFORMANCE

The Office surveys the chief executives of audited agencies following the completion of each performance audit. The survey results continue to show the work of the Office is valued by agencies, and conducted to a high standard.

**Figure 2.1: Chief Executive Survey – ‘The audit will help our organisation to improve administration of the audited activity’**



**Figure 2.2: Chief Executive Survey – ‘Performance audit - overall performance’**



The following performance audit reports were presented in the Legislative Assembly:

1. Reporting on Ecologically Sustainable Development
2. Courts Administration
3. Government Procurement
4. 2004-05 Financial Audits

5. Regulation of Charitable Collections on Incorporated Associations
6. Public Housing
7. Management of Trust Money and Other Non-Profit Money
8. Road Safety

Most reports include recommendations, which, if implemented, are expected to improve the performance of ACT public sector agencies. Most recommendations contained in the following reports were agreed to by the relevant agencies.

A brief summary of the matters contained in these reports is provided below. The reports may be obtained from the Office's website at <http://www.audit.act.gov.au/>.

***Report No. 3 of 2005, Reporting on Ecologically Sustainable Development (July 2005)***

The audit assessed the availability and usefulness of guidance material on ESD reporting, and examined agency systems and processes to meet their ESD reporting responsibilities, particularly under the *Environment Protection Act 1997* (the EPA) and the Chief Minister's Annual Report Directions. The audit covered the Annual Reports for 2002-03 and 2003-04 from 13 ACT public sector agencies.

The audit found that the majority of information in agencies' annual reports did not provide a useful indication of agency progress in the implementation of ESD or in ESD reporting. Further, the understanding by central agencies (such as the Department of Treasury and the Office of Sustainability) of ESD principles and associated definitions is evolving. More co-ordinated guidance is needed from central agencies to ensure government agencies achieve better ESD reporting, and incorporate ESD in their decision making processes.

The audit made seven recommendations. All audited agencies agreed or agreed-in-principle to all the recommendations.

***Report No. 4 of 2005, Courts Administration (September 2005)***

This audit reviewed courts administration in the ACT, which is a function of the Department of Justice and Community Safety (JACS). The Audit found that administration of the ACT Court system is adequate to ensure that the business of the courts functions smoothly. However, there were opportunities to improve efficiency in areas such as the management of caseload, finance, human resources and registry functions. Significant administrative efficiency could also be achieved through greater cooperation between the judiciary and the Department in court management.

The audit made 24 recommendations. JACS agreed to 23 recommendations and agreed in part to one recommendation. The audit generated significant media and public interest in court administration, and many actions have already been taken to address issues raised by the audit.

***Report No. 6 of 2005, Government Procurement (November 2005)***

This audit examined procurements undertaken by selected government agencies and assessed whether they have complied with relevant Government legislation, principles and guidelines, and achieved Government procurement objectives including transparency, accountability and value for money.

Overall, agencies demonstrated a satisfactory level of compliance in respect of major procurement transactions (i.e. purchases with value greater than \$50,000). However, there was a high level of non-compliance for procurement practices regarding small purchases (under \$50,000), in particular with the thresholds guidelines and lack of written approval from the chief executive or delegate for exemption from the required guidelines. This indicates weaknesses in internal controls, and a poor standard of documentation supporting the decision-making process. These deficiencies raise doubts regarding the extent to which value for money has been achieved, and increase the risk of collusion between staff and suppliers.

There are opportunities to improve the efficiency and effectiveness of government procurement activities through improved compliance with the procurement principles and guidelines in areas such as risk management, documentation, and procurement planning for significant purchases. Better co-ordination of procurement functions within agencies and across agencies was needed, and this could lead to improved whole-of-government purchase decisions. As well, a stronger accountability framework and better staff training and development were necessary, and enhancements in the administration and management of Notifiable and Reportable Contracts.

The Audit made fourteen recommendations. All audited agencies agreed or agreed-in-principle to all the recommendations.

***Report No. 7 of 2005, 2004-05 Financial Audits (December 2005)***

This report summarised the results of the audits of the financial statements of the Territory and its agencies in 2004-05 and referred to significant matters identified during the completion of the 2004-05 financial audit program.

Consistent with the trend of recent years, few of the 74 audit opinions issued were qualified. This means the Office was satisfied that, in all material respects, these financial statements presented a true and fair view of the financial position and performance of the agencies in accordance with Australian Accounting Standards. Three qualified audit opinions were issued for non-compliance with Australian Accounting Standards.

The financial statements of the Territory were qualified because the accounting policy used to account for actuarially assessed movements in the superannuation liability did not comply with Australian Accounting Standards. This non-compliance resulted in the operating results of the Territory and the General Government Sector being significantly overstated.

Seven unqualified audit opinions contained an ‘emphasis of matter’ paragraph which referred to performance measures that were not measured or could not be independently verified. Similar to recent years, these problems occurred for a very small number of the audited performance measures.

The report noted that financial reporting processes by agencies needed improvement, with many financial statements having to be revised to bring them to a publication standard, and many agencies not complying with the Department of Treasury timetable for the submission of their financial statements to the Office for audit.

The Report also highlighted areas where there was scope for improving the controls and accounting practices including instances where:

- stocktakes of information technology assets had not been performed;
- there was no evidence of wage and salary payments to employees having been checked;
- there was insufficient evidence to support the reported performance results, or definitions for reported measures were unclear;
- reconciliation procedures for financial statement balances were inadequate, including cash reconciliations;
- there was not evidence of monitoring of changes to supplier records; and
- cash management functions were not appropriately segregated, leading to an increased risk of fraud and error.

***Report No. 1 of 2006, Regulation of Charitable Collections and Incorporated Associations (March 2006)***

The audit reviewed administration of charitable collections by the Department of Urban Services and administration of incorporated associations by the Registrar-General. The audit found that overall, there was a serious deficiency in the regulation of charitable collections. On the other hand, the audit found that the Registrar-General’s Office adequately administered the incorporation function and monitored incorporated associations.

Issues of concern relating to the regulation of charitable collections included:

- a significant number of charitable collections may be underway in the ACT without complying with the Collections Act;
- no monitoring is currently undertaken of whether all collection moneys are deposited into bank accounts used solely for money received from the collections;
- most licensees reviewed by the audit did not comply with the regulation to submit annual accounts to the Chief Executive of DUS; and
- neither the current licence database nor the publicly available information on collections licences is accurate and up to date.

The Audit made eight recommendations. The Department of Urban Services and the Registrar-General agreed or agreed in part to all the recommendations.

***Report No. 2 of 2006, Public Housing (May 2006)***

This audit focused on overall governance and organisational issues, allocation of public housing, tenancy management and property management.

Public housing assistance is delivered against a generally sound framework. However, the increased demand for public housing assistance meant that even high priority applicants were waiting a long time before being offered public housing, and lower priority applicants may never be offered public housing. There was also a mismatch between the housing sought by applicants and the stock of properties. Greater efficiency in the provision of public housing assistance could be achieved through improvements in operational costs, priority allocation, turnaround time between vacancies, charging of more accurate market rents and better debt recoveries.

The audit also found that the cost of providing ACT public housing was significantly higher than the Australian average, and that the budget for Housing ACT was forecast to remain in deficit for the foreseeable future.

The audit made 27 recommendations. The Department agreed or agreed in part to 26 recommendations and disagreed with one recommendation. Since the audit, the Department has moved to address several of the audit recommendations, including a reform to the priority system.

***Report No. 3 of 2006, Management of Trust Moneys and Other Non-Public Moneys (June 2006)***

The audit assessed whether the trust moneys and other third party moneys held by selected government agencies have been managed in accordance with relevant legislation; accounted for accurately and transparently; and managed to adequately protect the rights of beneficiaries.

Most audited agencies have managed trust moneys and third party moneys in accordance with legal and administrative requirements, and have adequate controls and procedures to ensure trust accounting records are accurate and transparent. Most agencies satisfactorily fulfilled their responsibility to invest trust moneys prudently in accordance with relevant legislation.

However, the provisions in the *Financial Management Act 1996*, in relation to the definition and management of Territory trust moneys do not apply to Territory authorities. As a result, these entities are not required to adhere to the same legislative framework in the management of trust moneys as Government departments. This may create inconsistent and less effective practice in trust management across the ACT public sector. Some agencies did not correctly classify some of their third party moneys as trust moneys. Consequently, these moneys were not managed, accounted for, and reported in accordance with their proper legal status. Further, there is a level of uncertainty amongst agencies regarding the obligation to invest trust moneys.

The audit made eight recommendations. The majority of the audited agencies agreed or agreed-in-part to all recommendations.

*Report No. 4 of 2006, Road Safety (June 2006)*

This audit assessed the performance of the Department of Urban Services (now the Department of Territory and Municipal Services) in the coordination and implementation of road safety measures. The audit found that, for the most part, DUS had monitored and analysed road safety in the ACT and developed and implemented appropriate measures to reduce road accidents, especially those resulting in injuries and fatalities. However, the lack of assessment of effectiveness of current strategies and measures, and the absence of up-to-date statistics on road accidents, had in part impeded the ability to better target relevant road safety measures. The audit also found that there was scope for improvement in overall budgeting and coordination, collection and use of statistical information on accidents, auditing of Accredited Driving Instructors, licensing procedures and use of educational activities.

The audit made seven recommendations. DUS agreed or agreed in part to all recommendations.

**FINANCIAL AUDIT ACTIVITIES**

The Office conducts independent audits on the financial reports of Government agencies, and hence provides assurance to the Legislative Assembly and the community on the reliability of the financial and performance information reported by agencies.

**Table 2.2: Performance Measures for Financial Audit**

	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2005-06 Target
Number of audit reports issued	81	86	83	95	82
Percentage of audits completed within required timetable	100%	100%	95%	97%	95%
Percentage of recommendations accepted in audits	-	-	93%	96%	95%
Percentage of Chief Executives satisfied with audits	100%	100%	98%	98%	95%

The number of financial reports the Office is required to audit in any given year is a result of legislative or other externally imposed requirements. The increase in the number of financial audit reports issued in 2005-06 was due to an unexpected increase in the number of financial and grant acquittal audits completed by the Office. The financial audits completed in 2005-06 are listed in the Office’s Statement of Performance in Chapter 4.

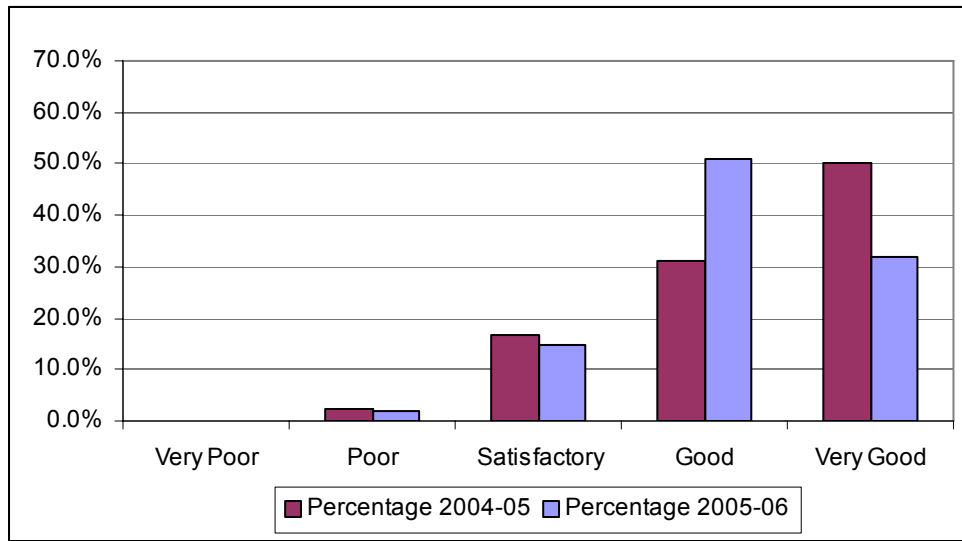
In 2005-06, as in previous years, the Office completed all audits as required, including the audits of the financial reports for the Territory and its departments, authorities and companies and their statements of performance.

Almost all of the financial audits conducted in 2005-06 were completed by the due date, notwithstanding that most agencies did not comply with the Department of Treasury’s timetable for the provision of their financial reports to the Office. Three audit reports (3%) were not completed on time due to circumstances beyond the control of the Office (the financial reports were not provided to the Office until after the due date for the provision of the audit report).

Responses by agencies to the Office’s annual satisfaction survey indicated that 98% of agencies rated the Office’s performance as ‘satisfactory’ or better in 2005-06. Consistent with the 2004-05 results, a high proportion of agencies (83%) rated the Office’s performance as ‘good’ or ‘very good’.



Figure 2.3: Chief Executive Survey – ‘Financial audit - overall performance’



The Office also sought further information on specific aspects of its performance in its annual satisfaction survey to identify areas for improvement. Where appropriate, the Office responded in writing to the comments provided by agencies and has used this feedback to improve performance and communication with agencies.

Although the primary purpose of a financial audit is to provide an audit report that expresses an opinion on the financial report, the Office also assists agencies to improve the quality of their financial reports. The Office often alerts agencies to errors in their financial reports, provides advice on the compliance with accounting standards, and recommends improvements to the disclosures in these reports prior to their publication.

As part of the financial audit process, the Office brings audit concerns to the attention of senior management such as internal control weaknesses and poor financial management procedures and practices. These concerns and the associated recommendations are not publicly reported unless the matter is assessed to be serious or systemic.

In 2005-06, 206 (96%) of the 215 recommendations made in these reports were accepted by agencies. The high percentage of recommendations accepted by agencies provides a good indication of the ability of the Office to improve public sector financial management and reporting processes by providing sound advice and practical recommendations to the agency.

## OTHER ACTIVITIES

The Office looks for opportunities to contribute to improving the performance of ACT public sector agencies, through means other than ‘traditional’ performance audit and financial audit activities. To this end, the Office organised and delivered seminars during the year. These are important means of ensuring agencies are aware of audit procedures and potential financial reporting difficulties, and encouraging agencies to be well prepared for the audit process. Following the tabling of audit reports, the Auditor-General and her staff brief the Public Accounts Committee and other Legislative Assembly members as requested. The Office offers similar briefings to audited agencies. During the year, the Office also participated in regular meetings of Internal Audit Committees of all major agencies.

In 2005-06, the Office met and briefed a number of overseas delegations on the role and responsibilities of the ACT Auditor-General, and the operation of the ACT office. These information exchange forums provided opportunity for overseas audit agencies, to benchmark their operations for further improvement.

The Office also provided comments and suggestions on relevant draft cabinet submissions, Treasury finance memorandums and other guidance material, when invited to do so.

During the year, the Office met its obligations under the *Government Procurement Act 2001* (Section 39) to provide the Public Accounts Committee with biannual reports on Government contracts that contained confidential text. It also provided advice and information to agencies to improve their compliance with the reporting requirement of the Act.

Through its input to the Australasian Council of Auditors-General (ACAG), the Office contributed to the national review and development of accounting and auditing policy and standards. ACAG also provides the opportunity for the Office to participate in, and share the benefits of, national projects such as audit methodology, performance audit training, and benchmarking.

## FINANCIAL RESULTS

Financial results are provided in the management discussion and analysis in Chapter 4 of this report.

## HUMAN RIGHTS ACT

The *Human Rights Act 2004* was enacted at the beginning of 2004-05. The Office has responsibilities to ensure that human rights principles are integrated into all aspects of its operations.

The Office's operating practices and policies are consistent with the aims of the Act. For example:

- (i) The Office ensures procedural fairness is maintained and natural justice is afforded to those affected by the reporting of audit findings and recommendations. Those affected by these reports are provided with the opportunity to provide comments on the reports and these comments are carefully considered before reports are finalised.
- (ii) The Office is a proper authority for the receipt of disclosures under the *Public Interest Disclosure Act 1994*. Disclosures received by the Office may identify human rights concerns. Details of the Office's procedures for handling these disclosures and statistical information on disclosures made to the Office in 2005-06 are provided elsewhere in this report.
- (iii) Management has promoted an organisational culture which is inclusive, respectful and responsive to staff and auditees. Regularly held staff and audit team meetings provide a forum for staff to raise any issues or concerns regarding the operations of the Office including human rights matters. Staff may also raise concerns directly with the Auditor-General or other senior executives, or with a staff representative, or may provide information and suggestions anonymously. Management responds openly to staff suggestions and concerns at monthly staff meetings.
- (iv) The *ACT Auditor-General's Office Certified Agreement 2004-2007* incorporates ACT public sector wide conditions of employment. This Agreement promotes diversity in the workplace, requires prompt responses to any discrimination or harassment, and provides personal, maternity, bereavement and other leave that recognises the broad cultural and other needs of staff. The Agreement recognises the need to balance work and life responsibilities and provide a safe and healthy working environment.
- (v) The Office has *Equity and Diversity Guidelines* in place and a *Workplace Discrimination, Harassment and Bullying* policy to support a diverse and non discriminatory workplace where different cultures and talents of staff are recognised and valued.

During 2005-06, the ACT Human Rights and Discrimination Commissioner provided a briefing to all staff on the Human Rights Principles and operation of the Human Rights Act.

## **ACCESS TO GOVERNMENT STRATEGY**

The 'Access to Government Strategy' has a goal of ensuring that services and facilities provided by the ACT Government are provided to members of the ACT community who have a disability.

The main services provided by the Office are audit and advisory services. These services are provided to the ACT Legislative Assembly and ACT public sector agencies. The work of the Office often identifies areas where public services could be improved, and wherever appropriate, this would include services to people with a disability.

A significant benefit of the Office's recent relocation to new accommodation is that the modern accommodation is equipped to cater for those with a disability.

The Office's recruitment activities do not disadvantage those with a disability and all applicants are assessed on a merit basis. In 2005-06, no applicant identified themselves as having a disability.

## **COMMUNITY ENGAGEMENT**

The Office's major external stakeholders are the ACT Legislative Assembly and ACT public sector agencies.

The Office continuously monitors community issues via local media and Legislative Assembly debates and consults regularly with its stakeholders when formulating its audit work programs.

Where appropriate, the Office consults representatives of relevant interest and community groups in the course of performance audits. Individuals or community groups may also initiate contact with the Office in relation to audits.

The Auditor-General frequently receives representations from various sources, such as Members of the Legislative Assembly, ACT public sector agencies, public servants and the wider community, to undertake some audit activity on a variety of matters. The information provided by way of such representations is carefully examined to determine whether audit investigation is warranted. Although it is not possible to investigate in detail all of the matters referred to the Auditor-General, the information often provides input into the planning of future audits.

## MULTICULTURAL FRAMEWORK

The 'Framework for a Multicultural Australian Capital Territory 2001-05' outlines the Government's vision that cultural and linguistic diversity should continue to be embraced, valued and utilised in the ACT. The Office is committed to the principles outlined in the *Charter of Public Service in a Culturally Diverse Society* included in the Framework.

The Office promotes an inclusive workplace by ensuring that all staff enjoy equal rights, responsibilities, and opportunities to participate in and contribute to the Office's objectives. *Equity and Diversity Guidelines* and a *Workplace Discrimination, Harassment and Bullying Prevention policy* support a diverse and non-discriminatory workplace.

The Office's staff survey for 2005 showed, as for the previous year, that almost all staff agree the Office values diversity.

## ABORIGINAL AND TORRES STRAIT ISLANDER REPORTING

The Aboriginal and Torres Strait Islander Strategic Plan aims to ensure equity and better access to services for Aboriginal and Torres Strait Islander people in the ACT. The Office supports the principles that underpin the Plan.

The Office's *Equity and Diversity Guidelines* and *Workplace Discrimination, Harassment and Bullying Prevention* policy provide a platform to support diversity and non-discriminatory practices in the workplace.

## ACT WOMEN'S PLAN

The ACT Women's Plan aims to ensure that women in the ACT reach their potential, are recognised for their contribution, and share the benefits of the community. The Office supports the principles that underpin the Plan.

The Office's *Equity and Diversity Guidelines* and *Workplace Discrimination, Harassment and Bullying Prevention* policy provide a platform to support diversity and non-discriminatory practices in the workplace.

### 3. MANAGEMENT OF THE OFFICE

#### MANAGING OUR PEOPLE

##### HR PERFORMANCE

The Office's small workforce consists of 30 staff from a diversity of backgrounds. All staff have demonstrated a high level of commitment, and have the skills, personal attributes, and qualifications to perform audit and supporting activities. Their commitment enables the Auditor-General to fulfil her mandate of improving public sector accountability and performance.

The size of the workforce, however, means that changes to staffing levels can have a significant effect on the Office's operations. Despite the specific measures put in place in recent years to improve retention, the staff turnover rate remains high. The Office is not in a position to compete with many larger organisations such as private sector audit and accounting firms, and ACT and Commonwealth public sector agencies, which often have more capacity to offer better salaries and better employment opportunities for advancement.

The Office's 2005-06 staff turnover rate was 27%, a substantial increase on the past years. Most of the turnover was staff at Senior Auditor level, who have on average around three years of service with the Office. Ideally, turnover should be around 15%, and distributed more evenly among the various job levels.

**Table 3.1: Staff Movements**

Staff Movements	2002-03	2003-04	2004-05	2005-06
Recruitment	5	9	7	10
Attrition	4	7	6	8
Number of Staff (FTE Equivalent at 30 June)	25 (24.5)	27 (26.25)	28 (27.3)	30 (29.4)
Turnover	<b>16%</b>	<b>26%</b>	<b>21%</b>	<b>27%</b>

## WORKFORCE PLANNING

Workforce planning occurs through frequent assessments of the resources needed to complete the Office's annual program of financial statement audits, performance audits, and other activities. These assessments have regard for planned absences (such as annual leave), staff training, secondment opportunities, and the involvement of staff on other administrative activities. It is clearly important that the Office can meet the high demands of the peak financial statement audit period, which extends from around March to October each year.

A primary concern in the Office's workforce planning is to minimise the use of external audit contractors when completing the financial audit program. Audits are outsourced to external contractors where the Office considers the audit requires specialised skills such as high level IT, tax or commercial business knowledge, which is not available within the Office.

Most audit staff will work on both financial and performance audits, and often will be engaged to assist in specific corporate tasks. For example, outside the peak financial audit period, available staff are assigned to performance audits or major corporate projects.

## STAFFING PROFILE

There were 30 staff employed in the Office (including the Auditor-General) as at 30 June 2006 (FTE 29.4). 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*.

The following tables provide further detail on the staffing profile. Please note that data presented were generated by the Chief Minister's Department, and are for *paid headcount as at 30 June 2006*. The data exclude board members and specifically identified staff not paid by the ACT Government, as well as people on leave without pay. Staff members who had separated from the ACT Public Service, but who were paid in the last pay (29 June 2006) are included. The figures do not include staff who commenced before 30 June 2006 but were not paid in the last pay for 2006. The data is reconciled to *actual staff* employed by the Office as at 30 June 2006.

**MANAGEMENT OF THE OFFICE**

**Table 3.2: Staffing Profile – Employment Classification**

<b>Classification</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Permanent Part Time M/W</b>	<b>Permanent Full-time M/W</b>	<b>Temporary Full-time M/W</b>
Auditor-General	0	1	<b>1</b>	0/0	0/0	0/1
Directors	2	0	<b>2</b>	0/0	0/0	2/0
Senior Managers	4	0	<b>4</b>	0/0	4/0	0/0
Managers	0	3	<b>3</b>	0/1	0/2	0/0
Senior Auditors	7	4	<b>11</b>	0/1	5/3	2/0
Auditors	6	2	<b>8</b>	0/0	6/2	0/0
Administrative Officers	0	2	<b>2</b>	0/0	0/2	0/0
<b>TOTAL</b>	<b>19</b>	<b>12</b>	<b>31</b>	<b>0/2</b>	<b>15/9</b>	<b>4/1</b>
<b>Reconciliation to actual employees at 30 June 2006</b>						
Staff per CMD generated data			<b>31</b>			
<b>Less:</b> Separations included in Pay 26			<b>2</b>		(Senior Auditor, M, Permanent Full-time, and Administrative Officer, F, Permanent Full-time)	
<b>Add:</b> Commencements not included in Pay 26			<b>1</b>		(Senior Auditor, M, Temporary Full-time)	
Actual staff employed by Audit Office 30 June 2006			<b>30</b>		<b>(FTE 29.4)</b>	

**Table 3.3: Staffing Profile – Age**

<b>Age</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Percentage</b>
20 to 24	5	1	6	19%
25 to 29	3	3	6	19%
30 to 34	1	4	5	16%
35 to 39	2	1	3	10%
40 to 44	1	1	2	6%
45 to 49	1	1	2	6%
50 to 54	3	1	4	13%
55 to 59	2	0	2	6%
60 to 64	1	0	1	3%
<b>TOTAL</b>	<b>19</b>	<b>12</b>	<b>31</b>	
<b>Average age</b>	<b>38.6</b>	<b>33.7</b>	<b>36.7</b>	
<b>Reconciliation to actual employees at 30 June 2006</b>				
Total employees	19	11	30	
Average age	38.9	33.4	37.0	



Several of the Office’s management team will reach retirement age within the next five years. This cohort has considerable experience within the Office and the public sector generally. Recruitment and performance management has regard for ‘succession planning’ where possible, but specific action is constrained by the Office’s high staff turnover and a staff profile that shows, at 30 June 2006, that 55% of staff had been with the Office for less than three years.

Senior Managers and Directors have considerable technical and management experience in public and/or private sector organisations (usually 10 to 20 years experience). There is much less experience below these levels, with two thirds of the Office’s staff having less than five years experience.

This brings special challenges for the Office, particularly in ensuring audit staff have the work experience and skills necessary to fulfil their professional role. This also highlights the importance of the Office’s investment in its learning and development program and the need for the Office to pay attractive remunerations to recruit and retain experienced and qualified accountants and auditors.

**Table 3.4: Staffing Profile – Average length of service**

<b>Service</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Percentage</b>
Less than 1 year	6	3	9	29%
1-3 years	5	3	8	26%
3-5 years	2	2	4	13%
5-10 years	2	1	3	10%
10-15 years	2	1	3	10%
15-20 years	0	2	2	6%
20-25 years	2	0	2	6%
25 + years	0	0	0	-%
<b>TOTAL</b>	<b>19</b>	<b>12</b>	<b>31</b>	
<b>Average service</b>	<b>5.6</b>	<b>5.4</b>	<b>5.5</b>	
<b>Reconciliation to actual employees at 30 June 2006</b>				
Total employees	19	11	30	
Average service	5.1	4.9	5.0	

## CULTURE AND VALUES

The Office's *Integrity Code* reinforces the values, principles, and employment obligations of public sector employees under the Public Sector Management Act. Together, the PSM Act and the Integrity Code provide staff a firm framework to support behavioural and decision-making activities.

Further, most staff are members of professional bodies and receive ethical training as part of their professional qualifications. This training also provides specific guidance on matters of particular relevance to auditors.

The culture and values of the Office, and expectations of stakeholders, are key matters discussed during the Office's annual planning days, and regularly reinforced at staff meetings. These occasions provide a further opportunity for staff to agree on the shared values that should be exhibited in the performance of their work, both at the Office and at the workplace of audited agencies.

The Office has mechanisms in place to receive and handle potential breaches of the Office's *Integrity Code*. Staff may raise issues directly with the Auditor-General and members of the management team, or may raise matters of concern anonymously.

## WORKPLACE DIVERSITY

The Office's *Equity and Diversity Guidelines* promote and maintain equity and diversity at the workplace. The Guidelines demonstrate the Office's commitment to a working environment that:

- recognises and embraces differences;
- uses and values the strengths, talents, and contribution of all staff;
- recognises the commitments that members of staff have outside the workplace, and their need to balance work and life demands; and
- positively opposes racism and discrimination in any form.

With its small yet diversified workforce, the Office has been successful in achieving a supportive and inclusive working environment. All staff have the opportunity to be involved in the Office's decision-making processes and are encouraged to express their views freely through internal consultative mechanisms, regular staff meetings, and various discussion forums.

The Office's recruitment opportunities are open to those with appropriate qualifications and skills, and the Office has gained from the employment of a significant number of staff (52%) from linguistically and culturally diverse backgrounds. In 2005-06, no staff or applicants for positions within the Office indicated they came from an Aboriginal and Torres Strait Islander background; one staff member indicated he had a disability.

**Table 3.5: Staff Diversity Profile**

Classification	Male	Female	Total	Culturally & Linguistically Diverse Background	Aboriginal & Torres Strait Islander	Disabled
Auditor-General	0	1	1	1	0	0
Directors	2	0	2	0	0	1
Senior Managers	4	0	4	2	0	0
Managers	0	3	3	2	0	0
Audit Seniors	7	4	11	4	0	0
Auditors	6	2	8	6	0	0
Administrative Officers	0	2	2	1	0	0
<b>TOTAL</b>	<b>19</b>	<b>12</b>	<b>31</b>	<b>16</b>	<b>0</b>	<b>1</b>

## **WORKPLACE HEALTH AND SAFETY**

The Office's *Occupational Health and Safety (OH&S) Guidelines* are accessible to all staff, and are provided to all new staff on commencement. The guidelines encourage management and staff to take a proactive approach to their health and safety within the workplace environment through a series of actions such as:

- communication to foster a proactive approach (e.g. the value and investment in workstation assessments for office staff);
- provision of professional Rehabilitation Case Management services; and
- positive consideration of OH&S issues during refurbishment and relocation projects.

The Office has implemented several measures to provide a safe and healthy working environment.

- (i) A staff member has been appointed as the OH&S officer, responsible for facilitating a safe working environment.
- (ii) The relocation of the Office to new premises late in 2004-05 had specific regard for OH&S requirements, in particular access and egress and the acquisition of furniture and equipment.
- (iii) 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.

- (iv) Workforce and operational planning pays careful attention to the workplace commitments of staff, and monitors hours being worked by staff, particularly during peak workload periods. Planning decisions seek to share the workload amongst staff, as far as reasonably practicable, to avoid excessive periods of long hours. Planning facilitates a whole-of-Office approach to planning for leave, study, family, and other commitments and staff are actively encouraged to take their leave entitlements each year.
- (v) Staff are offered the option of having injections against influenza.
- (vi) Stress is managed through ongoing 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.

There were no workplace accidents or injuries sustained by staff during 2005-06, and there were no accidents or dangerous occurrences that required the giving of notices under Section 204 of the *Occupational Health and Safety Act 1989*. No investigations were conducted during the year and there were no improvement notices, prohibition notices and notices of non-compliance given to the Office under sections 146, 155 or 212 of the OH&S Act.

## **LEARNING AND DEVELOPMENT**

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.

The Office's learning and development program continues to focus on ensuring the Office has the capacity to meet its audit responsibilities. Coaching of staff on audits, and technical training remain an integral part of the learning and development of staff. The program also gives attention to the development of the broader needs of staff such as report writing, communication and coaching skills, presentation skills, IT skills, and time management.

The Office encourages all staff to work towards obtaining professional status in their careers. The Office provided support to a staff member to undertake a Master of Business Administration program, three staff members to undertake undergraduate courses in Accounting and Law and provided financial support to ten staff for professional membership to programs run by CPA Australia and the Institute of Chartered Accountants in Australia. The Office also provides study leave and examination leave and the activities of the Office are planned so that staff have access to this leave when needed.

Staff have achieved outstanding results from their commitment to professional learning and development; many staff members achieve grades of 'distinction' or 'high distinction' in their professional programs and tertiary study.

Training provided during 2005-06 included training on IT applications, the Office's financial audit methodology, performance auditing, coaching skills and International Accounting Standards, and attendance at various professional and business forums.

Expenditure on external training courses totalled around \$32 400. Training expenditure, including internal costs and time allowed for study leave totalled over \$250 000. Time spent on training averaged twelve days per staff member and represented around 9% of total employee expenses.

## **WORKPLACE RELATIONS**

The Office's Certified Agreement (2004-07) applies to all staff other than the Auditor-General and Executive. The Agreement has regard for the Office's specific working environment, while reflecting the ACT Public Sector Template Agreement. The Agreement was varied during 2004-05 with support from staff, and its termination date extended to 2 February 2007.

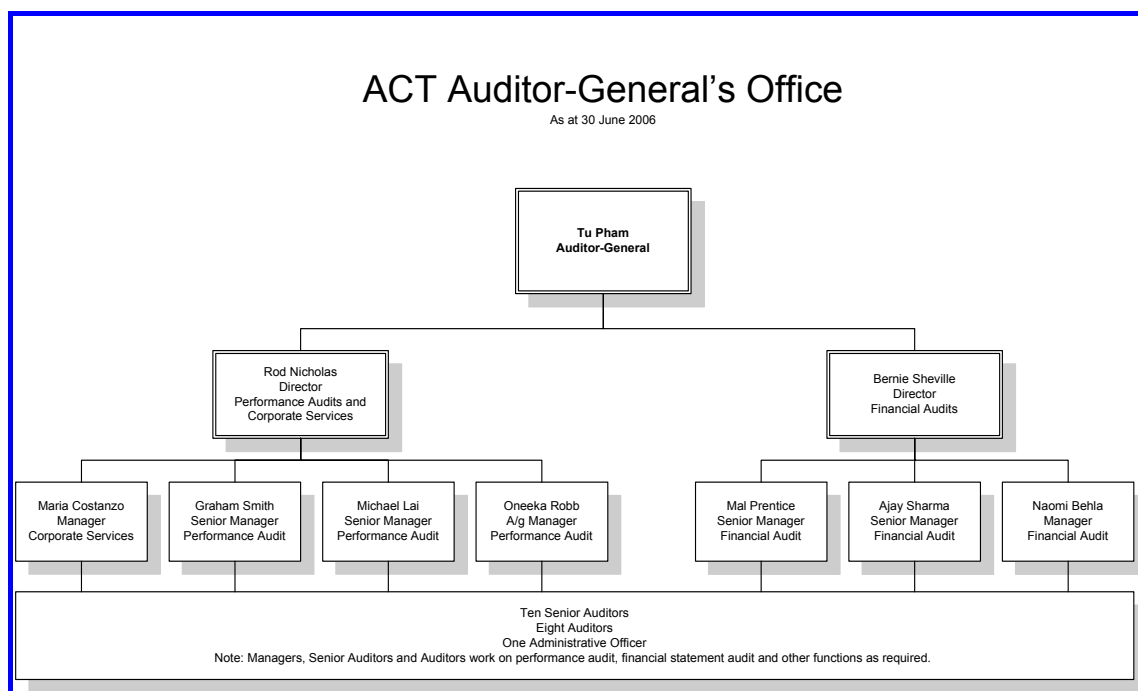
At 30 June 2006, the Office did not have any employees that were covered by an Australian Workplace Agreement or Special Employment Arrangement.

## GOVERNANCE

## INTERNAL ACCOUNTABILITY

## MANAGEMENT AND ORGANISATIONAL STRUCTURE

The management and organisational structure of the Office is shown below.



Reflecting the operation of a small office, management of Office activities in 2005-06 was conducted primarily through regular meetings between the Auditor-General, Directors and Managers.

The Executive Committee, comprising the Auditor-General and the two Directors, meets weekly to discuss Office policies, set strategic direction, monitor the Office's overall performance, and determine strategic and operational priorities for the Office.

The Management Committee, comprising the Auditor-General, Directors, and Managers, meets fortnightly to discuss the Office activities, report on progress against targets and raise audit and corporate issues requiring attention. A staff representative attends the Management Committee meetings.

Monthly staff meetings were held 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.

## FRAUD PREVENTION

Fraud risks were analysed in 2005-06. No significant fraud risks were identified. The Office handles no cash other than petty cash. The Directors and Managers work closely with staff in small audit teams and are 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 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 2005-06.

## RISK MANAGEMENT AND INTERNAL AUDIT

The Office first developed a Risk Management Framework and a Risk Management Plan during 2004-05, which were consistent with the ACT Government's 'Risk Management Policy' released in early 2004. The Risk Management Plan was revised in 2005-06, with an updated set of risks and risk assessments. The Office also continued to participate in risk management benchmarking coordinated by the ACT Insurance Authority; this benchmarking showed an improved performance over the previous year.

The Office's main risks relate to audit activities, including risks of low quality, and incorrect audit opinions. Realisation of these risks could compromise the reputation and integrity of the Office. Measures have been put in place to minimise these identified risks, and are monitored throughout the year by the management team.

Audits and related activities are conducted using audit methodologies and practices that comply with Australian Auditing Standards and quality control procedures. All audits are completed and reviewed by staff with the required technical proficiency.

Audit work is performed in accordance with approved audit plans, including budgets. The time and cost of projects and other activities are monitored using the Office's Time Recording System.

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

Reports on the Office's financial operations 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.

Incompatible functions associated with the Office's financial management are segregated, where possible, to ensure that the Office's financial records including its asset records are generally not maintained by those with the authority to approve expenditure.

During the year, the Office set up an Internal Audit Committee, with an external chair, to oversight the conduct of internal audit and risk management. The inaugural meeting of the Audit Committee was held in June 2006.

### 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 Act 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 Auditor-General Act provides for an annual audit of the Office's financial statements by an auditor selected by the relevant Minister. In 2005-06, PKF Chartered Accountants and Business Advisers was selected as the independent auditor. PKF provided an unqualified audit opinion on the Office's financial statements and no significant matters were identified from the audit process.



## REPORTS REQUIRED BY LEGISLATION

### 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.

The Auditor-General Act contains specific provisions aimed at protecting the integrity of an audit or investigation by the Auditor-General. Under these provisions, it is an offence for a person exercising, or who has exercised, a function of the Auditor-General to disclose protected information to someone else. Any documents obtained in reviewing matters relevant to an audit or investigation are, for the purposes of the Auditor-General Act, protected information.

The specific prohibition on the disclosure of protected information in the Auditor-General Act overrides the general provisions of the FoI Act. This is in accordance with generally accepted principles of statutory interpretation, where general provisions are read subject to specific provisions.

Based on the above, any information or documentation that comes into the possession of this Office as a result of the performance of a function of the Auditor-General is exempt from production under the FoI Act.

### Publication of documents and information (Section 7 statement)

#### *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 the making of 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 most performance audits, the Office will directly consult selected stakeholders, to obtain their views of activities under audit, and suggestions for improvement.

#### *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 administrative functions, photographs, financial and accounting records, 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 as well as other reviews and investigations.

***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  
ACT Auditor-General's Office  
Level 4, 11 Moore Street, Canberra City ACT 2601  
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 FoI Act 1989 (Section 79 statement)***

The Office did not receive any applications for access to documents under the FoI Act during the year.

**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 Corporate Services 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.

**Table 3.6: 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.	Each disclosure alleged 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.	One  The Office obtained and examined further information regarding one disclosure to determine whether there were grounds under Section 14 of the PID Act for the Auditor-General to intervene in the proper authority’s investigation of the matters.

**Table 3.6: Statistics Relating to the Reporting Year (Continued)**

<b>Disclosure Requirement</b>	<b>Details</b>
The number of disclosures 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  A disclosure, that could, if substantiated, amount to ‘disclosable conduct’ under Section 4(2)(a) and (b) of the PID Act was referred to the Australian Capital Tourism Corporation without investigation under Section 18 of the PID Act.
The number of disclosures on which the Office has declined to act under Section 17 of the PID Act.	One  Following review of the disclosure, the Auditor-General declined to investigate further on the grounds that matters have already been dealt with adequately, or there are other more appropriate mechanisms available.
The number of disclosures substantiated by investigation.	Nil

**Details on Remedial Action on Each Substantiated Disclosure**

There were no substantiated disclosures. As indicated above, the Office obtained and examined further information regarding one disclosure to determine whether there were grounds under Section 14 of the PID Act for the Auditor-General to intervene in the proper authority’s investigation of the matters. The Auditor-General determined that there were no grounds to intervene in the investigations.

**Other representations to the Auditor-General**

The Auditor-General received a further 17 representations from various persons – Members of the Legislative Assembly, and members of the public – requesting the Auditor-General to undertake some audit activity on a variety of matters. Such representations do not meet the definition of public interest disclosure within Section 3 of the *Public Interest Disclosure Act 1994*. Rather, they tend to reflect areas of interest or concern to the individual, and are considered by the Auditor-General under the provisions of the *Auditor-General Act 1996*.

The Office carefully examines the information provided to the Auditor-General by such representations to determine whether audit investigation is warranted. Often, additional information is obtained from the relevant government agency to assist in making any decision on the matter. In some cases, the correspondent is encouraged, in the first instance, to refer the matter directly to the responsible agency.

It is not possible to investigate in detail many of the matters referred to the Auditor-General, given the limited resources of the Office. In deciding whether a representation should be followed-up with an audit or a special investigation, the Office takes into consideration a number of factors, including the extent of financial risks and impacts, and potential for wider implications for the delivery of government services. Any new potential audit topic needs to be viewed in terms of its relative priority with respect to other audit activities of the Office.

The information provided through representations to the Auditor-General is further considered in the context of planning future audits.

### **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 Auditor-General has approved a Records Management Policy and Records Management Procedures, and these documents are available to all staff. The Director of Territory Records has approved a Records Disposal Schedules for Audit Services records; this Notifiable Instrument (NI2006-26) is available for public consultation on the ACT Government's legislation website (<http://www.legislation.act.gov.au/>).

In developing these documents, the Office has undertaken 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. Records management practices will ensure the Office can effectively:

- provide evidence of decisions, communications and activities;
- demonstrate that accountability requirements have been met; and
- support business activities through the creation of useable and reliable records, contributing to business efficiency and effectiveness.

Records management training is available to all staff, and many have attended programs presented by the Territory Records Office ('Introduction to Record-keeping' and 'Understanding and Using a Thesaurus'). New staff are introduced to record-keeping essentials as part of the Office's induction program. Standards, guidelines and advices issued by the Territory Records Office are available to all staff.

## SUSTAINABILITY AND ENVIRONMENT

### COMMISSIONER FOR THE ENVIRONMENT REPORTING

The Commissioner for the Environment Office did not request information from the Office in the preparation of the ‘State of the Environment Report’, nor carry out any investigation of the Office’s operations during 2005-06.

### ECOLOGICALLY SUSTAINABLE DEVELOPMENT

The *Environment Protection Act 1997* requires the Office to report on how its operations accorded with and contributed to the principles of ecologically sustainable development (ESD).

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. Reports are distributed electronically where practical, and can be accessed on the Office’s website;
- (ii) maximising the use of electronic work papers, messaging and on-line technical and information services; and
- (iii) recycling paper and using equipment with electricity saving features where possible. Staff are encouraged to recycle plastic, glass, paper, and toner; recycling bins are provided for this purpose; and
- (iv) providing office-based staff with low radiation emitting LCD monitors.

The Office had three executive vehicles, which are available for use for official purposes. Office staff regularly use these cars to visit audited agencies. During 2005-06, the vehicles travelled around 70,000 kilometres, and used 8,400 litres of petrol, producing 21.1 tonnes of CO<sub>2</sub> equivalent. The increase in fuel used reflects, in part, an increase in use of the motor vehicles.

**Table 3.7: Vehicle use - 2005-06**

	2004-05	2005-06
Kilometres driven	65,525	69,923
Fuel used (litres)	7,301	8,442
Average fuel consumption (l/100 km)	11.1	12.1
CO <sub>2</sub> e (Tonnes) <sup>(1)</sup>	18.3	21.1
Notes: (1) CO <sub>2</sub> e is calculated based on 2.5kg of emissions per litre of petrol consumed. Actual emissions will vary according to driving conditions.		

In May 2005, the Office moved into its current premises at 11 Moore Street in the City. The Office shares these premises with other departments, and leases about half a floor of the eight-floor building (about 6% of the net lettable area of the building). The new accommodation was selected, in part, because it offered several energy reduction measures, including more efficient heating and cooling systems, and sensor-activated lighting. Practically, however, the Office is limited in the measures it can take to minimise energy consumption. Nevertheless, as shown in Table 3.8, the Office's move to modern and more energy-efficient premises has seen a significant reduction in electricity usage.

**Table 3.8: Consumption of resources 2004-05 to 2005-06**

<b>Resources</b>	<b>2004-05</b> (Former premises, Torrens St)	<b>2005-06 <sup>(1)</sup></b> (Current premises, 11 Moore St)
Total electricity use (KW hours)	52,878	32,086 <sup>(1)</sup>
Electricity use per employee (KW hours)	1889	1070 <sup>(1)</sup>
Renewable electricity purchased	Nil	Nil
Total gas use (MJ)	Not Available	Not Available
Total water consumed	Not Available	Not Available
Waste paper recycled (240l containers)	32	33
Paper usage (reams)	427	381
Notes: (1) Electricity charges are not separately metered. Figures are estimated, based on total building use and proportionate to the area leased by the Office (i.e. 5.80%) of total net lettable area. Reliable data on gas, water and waste are not available as these are landlord costs, and are not separately billed to the Office.		

Paper use within the Office has decreased since 2004-05, due to the acquisition of a more efficient photocopier and printers, which readily allow duplex and multi-page printing, and through encouragement for staff to change work practices by minimising printing of unnecessary drafts of documents. There has also been a slight increase in the extent of paper recycling.

## **STRATEGIC BUSHFIRE MANAGEMENT PLAN**

Not Applicable – the Office is neither a manager of unleased Territory land, nor the owner of Territory land.

## 4. ANALYSIS OF FINANCIAL PERFORMANCE

### MANAGEMENT DISCUSSION AND ANALYSIS

The Office's financial results over the period from 2002-03 to 2005-06 are provided below:

**Table 4.1: Financial Results**

	2002-03 Actual \$'000	2003-04 Actual \$'000	2004-05 Actual \$'000	2005-06 Actual \$'000	2005-06 Budget \$'000
Employee	1 915	2 038	2 378	2 768	2 488
Supplies and Services	1 036	1 086	1 246	1 424	1 309
Depreciation	37	37	23	52	54
<b>Expenses</b>	<b>2 988</b>	<b>3 161</b>	<b>3 646</b>	<b>4 244</b>	<b>3 851</b>
Financial Audit Fees	2 076	2 424	2 283	3 049	2 436
Appropriation	943	961	1 279	1 380	1 380
Other	11	34	51	52	25
<b>Income</b>	<b>3 030</b>	<b>3 419</b>	<b>3 613</b>	<b>4 481</b>	<b>3 841</b>
<b>Operating Surplus/(Deficit)</b>	<b>42</b>	<b>258</b>	<b>(33)</b>	<b>237</b>	<b>(10)</b>

### Operating Results

**Table 4.2: Operating Results**

	2002-03 Actual \$'000	2003-04 Actual \$'000	2004-05 Actual \$'000	2005-06 Actual \$'000	2005-06 Budget \$'000
<b>Operating Surplus/(Deficit)</b>	<b>42</b>	<b>258</b>	<b>(33)</b>	<b>237</b>	<b>(10)</b>

The Office's operating results indicate that it essentially recovers the costs of its activities. As the Office essentially operates on a cost recovery basis, its operating results may easily fluctuate from small deficits to small surpluses, when relatively minor changes to revenue and expenses occur.



***2005-06 Operating Result Compared to Budget and the Prior Year***

The 2005-06 operating result was a surplus of \$237 000. This surplus significantly exceeds the budgeted and prior year operating deficits of \$10 000 and \$33 000 respectively.

In 2005-06, the financial audit program was commenced early to facilitate the issuing of audit opinions on agency financial reports to meet reporting deadlines. This had the effect of bringing forward approximately \$133 000 in income from financial audit fees into 2005-06 that would otherwise have been earned in 2006-07.

Had the financial audit program not been brought forward, the 2005-06 operating result would have been a surplus of around \$104 000.

***Trends in Operating Results***

The 2005-06 operating surplus was higher than most operating results recorded since 2001-02.

The result is consistent with the 2003-04 operating surplus, where the financial audit program was also commenced early to ensure the completion of the audits prior to the ACT Government election in October 2004.

The Office would expect the 2006-07 surplus to be lower as some income that would normally be brought to account in 2006-07 (\$133 000) has already been recognised as income in 2005-06.

**Expenses**

**Table 4.3: Expenses**

	<b>2002-03 Actual \$'000</b>	<b>2003-04 Actual \$'000</b>	<b>2004-05 Actual \$'000</b>	<b>2005-06 Actual \$'000</b>	<b>2005-06 Budget \$'000</b>
Employee	1 915	2 038	2 378	2 768	2 488
Supplies and Services	1 036	1 086	1 246	1 424	1 309
Depreciation	37	37	23	52	54
<b>Expenses</b>	<b>2 988</b>	<b>3 161</b>	<b>3 646</b>	<b>4 244</b>	<b>3 851</b>

Most of the Office's expenses (65%) consist of employee expenses. Supplies and services (34%) largely make up the rest of these expenses and are mainly comprised of audit contractors expenses, office accommodation costs, information technology, printing, and training costs.

***2005-06 Expenses Compared to Budget***

In 2005-06, expenses exceeded budget expectations by \$393 000 (10.3%) due to higher employee costs and supplies and services expenses which exceeded budgeted amounts by \$280 000 (11.2%) and \$115 000 (8.8%) respectively.

Higher employee costs were incurred as the Office maintained higher average staffing levels throughout 2005-06 compared to 2004-05. The Office was able to recruit additional staff and replace departing staff in 2005-06, resulting in higher average full time equivalents (FTE) staffing levels throughout the year.

The Office has minimised employee costs by:

- actively forward planning its staff resources to meet workloads;
- using agency specific flex-time arrangements;
- entering into short term employment arrangements rather than engaging more expensive contractors to meet peak financial audit workloads;
- ensuring that remuneration paid is reasonable compared to the market; and
- actively managing recreation leave liabilities by encouraging staff, where possible, to take their recreation leave entitlements each year.

Although employee costs continue to rise, partly reflecting additional work, using Office staff remains a more cost effective option than engaging audit contractors or outsourcing audit work. The Office's audit costs per hour of \$97 remain well below the hourly rates being charged to the Office by its contractors.

Supplies and services expenses exceeded budget because higher fees were charged to the Office by its financial audit contractors in 2005-06, partly because these contractors performed additional audits during the year.

These higher costs were partially offset by lower than anticipated costs in other areas of expenditure such as software costs, accounting fees, library journals and subscriptions etc.

***2005-06 Expenses Compared to the Prior Year***

Expenses rose by \$598 000 (16.4%) in 2005-06 due to a \$390 000 (16.4%) rise in employee costs (discussed previously), a \$178 000 increase in supplies and services and higher depreciation charges (\$29 000).

Most of the increase in supplies and services costs relates to the higher financial audit contractor costs (\$183 000), explained above.

## ANALYSIS OF FINANCIAL PERFORMANCE

Higher training costs (\$32 400) were incurred under the Office's learning and development program. In 2005-06, more training was provided under this program and specialist external providers delivered a greater proportion of this training in areas of high priority for staff.

Depreciation costs also rose as a full year's depreciation was incurred on the fit-out of the Office's accommodation in Moore Street.

The significant 'one-off' costs incurred from the relocation of the Office to Moore Street in 2004-05 were not repeated in 2005-06, and partially offset the cost increases referred to above.

### *Trends in Expenses*

Expenses have risen by \$0.853 million since 2002-03, representing an average annual increase of 11%. Most of this increase relates to growth in employee expenses over the past two years. The increases flowed from the recruitment of two additional staff to conduct performance audits in 2004-05, the maintenance of higher average staffing levels throughout 2005-06 and the buoyant employment market throughout this period which increased the cost of attracting and retaining audit and accounting professionals.

### **Income**

**Table 4.4: Income**

	<b>2002-03 Actual \$'000</b>	<b>2003-04 Actual \$'000</b>	<b>2004-05 Actual \$'000</b>	<b>2005-06 Actual \$'000</b>	<b>2005-06 Budget \$'000</b>
Financial Audit Fees	2 076	2 424	2 283	3 049	2 436
Appropriation	943	961	1 279	1 380	1 380
Other	11	34	51	52	25
<b>Income</b>	<b>3 030</b>	<b>3 419</b>	<b>3 613</b>	<b>4 481</b>	<b>3 841</b>

Most of the Office's income (68%) in 2005-06 is obtained from financial audit fees. The remainder is predominantly from appropriations (31%).

### ***2005-06 Income Compared to Budget***

In 2005-06, income exceeded the budgeted amount due to higher than expected financial audit fees.

The increase in financial audit fees in 2005-06 relates to:

- the recovery of higher fees charged by financial audit contractors in completing audits (including some significant additional audits) on behalf of the Office;
- the higher number of financial audits completed in house;
- the early commencement of the financial audit program to meet audit reporting deadlines; and
- the recovery of additional costs on financial audits.

The early commencement of the financial audit program in March/April 2006 enabled the Office to:

- address the significant issues associated with the implementation of the whole-of-Government Human Information Resources Information System (CHRIS 21);
- evaluate performance measure reporting by agencies following changes to the *Financial Management Act 1996*;
- review the transition from Australian Generally Accepted Accounting Practices to Australian Equivalents to International Financial Reporting Standards.

This early commencement also enabled the Office to increase sample sizes in the testing of the major systems which are used by agencies to produce their financial reports. In particular, the Office increased the sample sizes in relation to receipts, expenditure (including expenditure on assets) and employee expenses to provide better information on the adequacy of controls over these systems, and validity and accuracy of transactions recorded within these systems.

### ***2005-06 Income Compared to the Prior Year***

In 2005-06, income rose by \$868 000 (24.0%) due to the increases in financial audit fees (explained previously) and appropriation.

The Office's appropriation increased by \$101 000 (7.9%) in 2005-06. This increase was comprised of a 2% indexation applied to the 2004-05 appropriation plus additional funding of \$75 000 provided to meet the ongoing accommodation costs associated with the Office's present accommodation in Moore Street.

***Trends in Income***

Financial audit fees have increased by \$0.973 million since 2002-03, representing an average annual increase of 11.7%. Most of this increase relates to 2005-06 when significantly more audits were completed by the Office (including audits completed by audit contractors on behalf of the Office) combined with the early commencement of the 2005-06 financial audit program.

Prior to 2004-05, the average annual increase over the previous four years was 2.7%, in line with CPI indexation. This average annual increase was not sufficient to maintain the audit capacity of the Office, given the continuing trend of high employment costs experienced by the Office over that time and the many changes to audit and reporting requirements.

The Office's appropriation has increased in the past two years as additional funding was provided to fund two additional performance audit positions, meet higher IT costs charged by InTACT, provide additional training for staff and meet the ongoing accommodation costs associated with the Office's present accommodation.

**FINANCIAL POSITION**

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

**Table 4.5: Short Term Financial Position**

	<b>Actual</b>	<b>Original Budget</b>	<b>Actual</b>
	<b>2004-05</b>	<b>2005-06</b>	<b>2005-06</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Short Term Assets	1 929	1 575	1 926
Short Term Liabilities <sup>2</sup>	650	424	400
<b>Net Short Term Assets</b>	<b>1 279</b>	<b>1 151</b>	<b>1 526</b>
<b>Short Term Liquidity Ratio</b>	<b>2.96</b>	<b>3.71</b>	<b>4.81</b>

The liquidity ratio shows that, as at 30 June 2006, the Office had \$4.81 in current assets available to meet each dollar of liability expected to be payable within 12 months. The Office has the financial capacity to comfortably meet its short-term obligations.

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<sup>2</sup> Short-term liabilities do not equal the current liabilities presented in the Balance Sheet. For the purpose of this analysis, the estimated amount of liabilities payable within 12 months has been used.

**Table 4.6: Long Term Financial Position**

	<b>Actual</b>	<b>Original Budget</b>	<b>Actual</b>
	<b>2004-05</b>	<b>2005-06</b>	<b>2005-06</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current Assets	1 929	1 575	1 926
Total Liabilities	1 209	928	984
	<b>720</b>	<b>647</b>	<b>942</b>
<b>Ratio of Current Assets to Total Liabilities</b>	<b>1.60</b>	<b>1.70</b>	<b>1.96</b>

The Office's non-current assets are comprised of plant and equipment. These assets are not available to meet the Office's liabilities. Consequently, the long-term position of the Office can best be assessed by comparing the Office's current assets to its total liabilities.

The ratio of current assets to total liabilities shows that the Office has \$1.96 to meet each dollar of the Office's total liabilities. The Office's capacity to meet its short and long-term obligations has improved in 2005-06. The Office will nevertheless need to continue to carefully manage its expenses going forward.

## FINANCIAL REPORT

### ACT AUDITOR-GENERAL'S OFFICE

#### FINANCIAL REPORT YEAR ENDED 30 JUNE 2006

#### STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying financial report for the ACT Auditor-General's Office for the year ended 30 June 2006, consisting of the:

- Operating Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Statement of Appropriation

fairly reflects the financial operations of the Office for the year ended 30 June 2006 and the financial position of the Office as at 30 June 2006.



Tu Pham  
Auditor-General

14 July 2006

**ACT AUDITOR-GENERAL'S OFFICE**

**FINANCIAL REPORT  
YEAR ENDED 30 JUNE 2006**

**STATEMENT BY THE CHIEF FINANCE OFFICER**

In my opinion, the accompanying financial report for the ACT Auditor-General's Office for the year ended 30 June 2006, consisting of the:

Operating Statement;  
Balance Sheet;  
Statement of Changes in Equity;  
Cash Flow Statement; and  
Statement of Appropriation

fairly reflects the financial operations of the Office for the year ended 30 June 2006 and the financial position of the Office as at 30 June 2006.



Bernie Sheville  
Chief Finance Officer

14 July 2006



**ACT AUDITOR-GENERAL'S OFFICE**

**OPERATING STATEMENT  
YEAR ENDED 30 JUNE 2006**

	Note	Actual 2005-06 \$	Original Budget 2005-06 \$	Actual 2004-05 \$
<b>INCOME</b>				
Appropriation		1 380 000	1 380 000	1 279 000
Financial Audit Fees	4	3 049 277	2 436 000	2 282 721
Other		51 653	25 000	51 456
<b>Total Income</b>		<b>4 480 930</b>	<b>3 841 000</b>	<b>3 613 177</b>
<b>EXPENSES</b>				
Employee	5	2 767 501	2 488 000	2 377 807
Supplies and Services	6	1 424 488	1 309 000	1 245 728
Depreciation	7	52 139	54 000	23 092
<b>Total Expenses</b>		<b>4 244 128</b>	<b>3 851 000</b>	<b>3 646 627</b>
<b>Operating Surplus/(Deficit)</b>		<b>236 802</b>	<b>(10 000)</b>	<b>(33 450)</b>

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

'Original Budget' amounts included in the Operating Statement are those included in 2005-06 Budget Paper No. 4.

The 2005-06 operating result was a surplus of \$236 802. This surplus significantly exceeds the budgeted operating deficit of \$10 000 and the prior year's operating deficit of \$33 450.

In 2005-06, the financial audit program was commenced early to facilitate the meeting of audit reporting deadlines. This had the effect of bringing forward around \$133 000 in income into 2005-06 that would otherwise have been earned in 2006-07.

Had the audit program not been brought forward, the operating result would have been a surplus of around \$104 000.

ACT AUDITOR-GENERAL'S OFFICE

**BALANCE SHEET  
AS AT 30 JUNE 2006**

	Note	Actual 2006 \$	Original Budget 2006 \$	Actual 2005 \$
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	8	774 178	723 000	1 082 491
Receivables	9	1 145 723	852 000	839 348
Other	10	6 279	-	7 663
<b>Total Current Assets</b>		<b>1 926 180</b>	<b>1 575 000</b>	<b>1 929 502</b>
<b>NON-CURRENT ASSETS</b>				
Plant and Equipment	11	561 497	610 000	546 210
<b>Total Non-Current Assets</b>		<b>561 497</b>	<b>610 000</b>	<b>546 210</b>
<b>Total Assets</b>		<b>2 487 677</b>	<b>2 185 000</b>	<b>2 475 712</b>
<b>CURRENT LIABILITIES</b>				
Payables	12	114 401	157 000	397 692
Employee Benefits	13	776 905	251 000	718 021
Other	14	15 625	16 000	22 225
<b>Total Current Liabilities</b>		<b>906 931</b>	<b>424 000</b>	<b>1 137 938</b>
<b>NON-CURRENT LIABILITIES</b>				
Employee Benefits	13	24 787	452 000	22 780
Other	14	52 083	52 000	47 920
<b>Total Non-Current Liabilities</b>		<b>76 870</b>	<b>504 000</b>	<b>70 700</b>
<b>Total Liabilities</b>		<b>983 801</b>	<b>928 000</b>	<b>1 208 638</b>
<b>NET ASSETS</b>		<b>1 503 876</b>	<b>1 257 000</b>	<b>1 267 074</b>
<b>EQUITY</b>				
Accumulated Funds	15	1 503 876	1 257 000	1 267 074
<b>Total Equity</b>		<b>1 503 876</b>	<b>1 257 000</b>	<b>1 267 074</b>

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

'Original Budget' amounts included in the Balance Sheet are those included in 2005-06 Budget Paper No. 4.

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ANALYSIS OF FINANCIAL PERFORMANCE

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ACT AUDITOR-GENERAL'S OFFICE

STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED 30 JUNE 2006

	Note	Actual 2005-06 \$	Original Budget 2005-06 \$	Actual 2004-05 \$
<b>Equity at the Beginning of the Financial Year</b>		<b>1 267 074</b>	<b>1 267 000</b>	<b>650 524</b>
<b>Accumulated Funds</b>				
Operating Surplus/(Deficit)	15	236 802	(10 000)	(33 450)
<b>Total Income / (Expense) Recognised Directly in Equity</b>		<b>236 802</b>	<b>(10 000)</b>	<b>(33 450)</b>
<b>Transactions with the Equity Holders affecting Accumulated Funds</b>				
Capital Injection	15	-	-	650 000
<b>Total Transactions Affecting Accumulated Funds</b>		<b>-</b>	<b>-</b>	<b>650 000</b>
<b>Equity at the End of the Financial Year</b>		<b>1 503 876</b>	<b>1 257 000</b>	<b>1 267 074</b>

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

'Original Budget' amounts included in the Statement of Changes in Equity are those included in 2005-06 Budget Paper No. 4.

**ACT AUDITOR-GENERAL'S OFFICE**

**CASH FLOW STATEMENT  
YEAR ENDED 30 JUNE 2006**

	Note	Actual 2005-06 \$	Original Budget 2005-06 \$	Actual 2004-05 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>RECEIPTS</b>				
Appropriation		1 380 000	1 380 000	1 279 000
Financial Audit Fees		2 713 942	2 436 000	2 312 142
Interest		39 830	25 000	39 544
GST Collected from Auditees and GST Input Tax Credits from the Australian Taxation Office		396 007	215 000	232 676
Other		3 333	-	14 624
<b>Total Receipts from Operating Activities</b>		<b>4 533 112</b>	<b>4 056 000</b>	<b>3 877 986</b>
<b>PAYMENTS</b>				
Employee		2 721 112	2 436 000	2 168 243
Supplies and Services		1 412 084	1 293 000	1 226 324
GST Paid on Goods and Services		180 928	115 000	155 093
Net GST Remitted to the Australian Taxation Office		184 939	100 000	114 814
<b>Total Payments from Operating Activities</b>		<b>4 499 063</b>	<b>3 944 000</b>	<b>3 664 474</b>
<b>Net Cash Inflows from Operating Activities</b>	(a)	<b>34 049</b>	<b>112 000</b>	<b>213 512</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>PAYMENTS</b>				
Payments for Plant and Equipment		342 362	-	275 533
<b>Cash (Outflows) from Investing Activities</b>		<b>342 362</b>	<b>-</b>	<b>275 533</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>RECEIPTS</b>				
Capital Injection		-	-	650 000
<b>Cash Inflows from Financing Activities</b>		<b>-</b>	<b>-</b>	<b>650 000</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents Held</b>		<b>(308 313)</b>	<b>112 000</b>	<b>587 979</b>
Cash and Cash Equivalents at the Beginning of the Financial Year		1 082 491	611 000	494 512
<b>Cash and Cash Equivalents at the End of the Financial Year</b>	(b)	<b>774 178</b>	<b>723 000</b>	<b>1 082 491</b>

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

'Original Budget' amounts included in the Cash Flow Statement are those included in 2005-06 Budget Paper No. 4.

**ACT AUDITOR-GENERAL'S OFFICE**

**NOTES TO THE CASH FLOW STATEMENT  
YEAR ENDED 30 JUNE 2006**

**Note (a) Reconciliation of the Net Cash Inflows from Operating Activities to the Operating Surplus/(Deficit)**

	Actual 2005-06 \$	Actual 2004-05 \$
<b>Operating Surplus/(Deficit) as Reported in the Operating Statement</b>	<b>236 802</b>	<b>(33 450)</b>
Depreciation	52 139	23 092
Write-off of Plant and Equipment	-	20 703
<b>Changes in Assets and Liabilities</b>		
(Decrease) in Payables	(8 355)	(31 957)
Increase in Employee Benefits	60 891	203 891
(Decrease) / Increase in Other Liabilities	(2 437)	17 191
(Increase) / Decrease in Receivables	(306 375)	14 502
(Increase) / Decrease in Other Current Assets	1 384	(460)
<b>Net Cash Inflows from Operating Activities as Reported in the Cash Flow Statement</b>	<b>34 049</b>	<b>213 512</b>

**Note (b) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Related Items in the Balance Sheet**

	Actual 2006 \$	Actual 2005 \$
Cash at Bank and on Hand	124 178	432 491
Investments with the Central Financing Unit - At call	650 000	650 000
<b>Cash and Cash Equivalents at the End of the Financial Year as Reported in the Cash Flow Statement and the Balance Sheet</b>	<b>774 178</b>	<b>1 082 491</b>

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF APPROPRIATION  
YEAR ENDED 30 JUNE 2006**

	<b>2005-06 Original Budget \$</b>	<b>2005-06 Total Appropriated \$</b>	<b>2005-06 Appropriation Drawn \$</b>	<b>2004-05 Appropriation Drawn \$</b>
Appropriation	1 380 000	1 380 000	1 380 000	1 279 000
Capital Injection	-	-	-	650 000
<b>Total Appropriation</b>	<b>1 380 000</b>	<b>1 380 000</b>	<b>1 380 000</b>	<b>1 929 000</b>

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

In 2004-05, the Office relocated to new accommodation. The Office received a *Capital Injection* of \$650 000 in 2004-05 to meet the costs of fitting out the new accommodation.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**1. Objectives**

The objectives of the ACT Auditor-General's Office (the Office) are to inform the ACT Legislative Assembly and the community of the performance of the ACT public sector and to contribute to improving the performance of ACT public sector agencies.

**2. Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

**(a) Basis of Accounting**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Equivalents to International Financial Reporting Standards) authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Financial Management Act 1996*.

This is the first financial report to be prepared by the Office in accordance with Australian Equivalents to International Financial Reporting Standards and, as such, AASB 1: 'First-Time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied to this financial report.

In previous years, Australian Generally Accepted Accounting Principles were used as the basis for preparing the Office's financial report. Reconciliations and explanations of the effects of the transition from Australian Generally Accepted Accounting Principles to Australian Equivalents to International Financial Reporting Standards are provided in Note 22: 'Reconciliation of Previous Australian Generally Accepted Accounting Practices to Australian Equivalents to International Reporting Standards'.

This financial report has been prepared in accordance with the historical cost convention.

**(b) Revenue Recognition**

Revenue is recognised for the Office's major activities as follows:

**(i) Appropriation**

The Office's performance audit and other activities are mostly funded by an appropriation. The presiding member of the Standing Committee on Public Accounts advises the Treasurer of the appropriation that should be made for the operations of the Auditor-General for the year.

This Appropriation is recognised as income in the Operating Statement on receipt.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**2. Significant Accounting Policies (Continued)**

**(ii) Financial Audit Fees (Continued)**

The Office charges fees for auditing financial reports. Revenue from these audits is recognised in the Operating Statement 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 staff hours incurred to date as a percentage of total estimated staff hours for each audit.

**(c) Cash and Cash Equivalents**

*Cash and cash equivalents* are stated at their nominal amount.

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

**(d) Receivables**

*Receivables* are initially recognised at fair value less any allowance for doubtful debts.

The collectability of *Receivables* is reviewed on an ongoing basis. *Receivables* that are known to be uncollectible are written off as an expense in the Operating Statement. An allowance for doubtful debts is recorded to the extent the collection of the recorded amount of the receivable is not considered probable.

*Receivables* include accrued revenue in relation to financial audits (unbilled revenue) and interest accrued on investments up until the end of the financial year and is recognised when the revenue has been earned. *Accrued financial audit income* represents amounts earned but not yet billed by the Office and is brought to account on the basis of the financial audits stage of completion which is measured by reference to the staff hours incurred to date as a percentage of total estimated staff hours for each audit.

**(e) Plant and Equipment**

**(i) Valuation**

*Plant and Equipment* is recorded at the cost of acquisition.

**(ii) Depreciation**

*Plant and Equipment*, having a limited useful life, is systematically depreciated over its useful life in a manner that reflects the consumption of its service potential.

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



## ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**2. Significant Accounting Policies (Continued)****(ii) Depreciation (Continued)**

*Depreciation of Plant and Equipment* is determined as follows:

Class of Asset	Useful life (Years)
Computer Equipment	5 years
Office Fitout	12 years

**(f) Impairment**

At each reporting date, all assets are assessed for impairment. If this assessment indicates that an asset is impaired then the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount of an asset is the higher of its 'fair value less the cost to sell' and its depreciated replacement cost.

**(g) Payables**

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

**(h) Employee Benefits****(i) Salaries, Annual Leave and Sick Leave**

Liabilities for *Salaries*, including non-monetary benefits, *Annual Leave*, and accumulating *Sick Leave*, are recognised in *Employee Benefits* in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

These liabilities are classified as 'current' in the Balance Sheet when a legal obligation to pay *Salaries*, including non-monetary benefits, *Annual Leave*, and accumulating *Sick Leave* to an employee exists at the reporting date. Consequently, all such liabilities have been classified as current.

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*.

Further information on the financial effects of this change to the basis of classifying these liabilities is provided in Note 22: 'Reconciliation of Previous Australian Generally Accepted Accounting Principles to Australian Equivalents to International Financial Reporting Standards'.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2006**

**2. Significant Accounting Policies (Continued)**

**(ii) Long Service Leave**

The liability for *Long Service Leave* is recognised for services provided up to the reporting date and is measured at the amounts expected to be paid when the liability is 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 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.

This liability is classified as 'current' in the Balance Sheet when a legal obligation to pay long service leave to an employee exists at the reporting date.

Further information on the financial effects of this change to the basis of classifying these liabilities is provided in Note 22: 'Reconciliation of Previous Australian Generally Accepted Accounting Principles to Australian Equivalents to International Financial Reporting Standards'.

**(iii) Superannuation**

The Office makes a superannuation payment to the Superannuation Unit each year, to cover the liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment covers the CSS and PSS employer contribution. A 3% productivity component is paid directly to Comsuper.

The CSS and PSS are defined benefit schemes meaning that the defined benefits received by employees are based on the employee's years of service and final average salary.

No liability for superannuation for employees in the CSS and PSS schemes is recognised in the Balance Sheet as the Superannuation Unit recognises this liability for all agencies in the Territory.

From 1 July 2005, the Office has also made a superannuation payment to Comsuper, to cover the superannuation liability for employees that are members of the new Public Sector Superannuation Scheme Accumulation Plan (PSSAP). No liability for superannuation for employees in PSSAP is recognised in the Balance Sheet as Comsuper is responsible for meeting this liability.

**(i) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. Operating leases are leases where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased assets. The Office has only entered into operating leases.

**Operating Leases**

The minimum lease payments of operating leases are recognised as an expense on a straight-line basis.

The Office's accommodation lease incentive liability is a non-cancellable operating lease and is being reduced on a straight-line basis over the lease term (six years).

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**2. Significant Accounting Policies (Continued)**

**(j) Comparatives**

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

**3. Changes to Significant Accounting Policies**

Detailed disclosures of the impact of implementing Australian Equivalents to International Financial Reporting Standards are provided in Note 22: 'Reconciliation of Previous Australian Generally Accepted Accounting Principles to Australian Equivalents to International Financial Reporting Standards'.

There were no other changes to significant accounting policies.

**4. Financial Audit Fees**

	2005-06	2004-05
	\$	\$
General Government Sector	1 985 436	1 449 336
Public Trading Enterprises	359 766	351 348
External	704 075	482 007
	<b>3 049 277</b>	<b>2 282 721</b>

The increase in *Financial Audit Fees* relates to the recovery of higher fees charged by financial audit contractors in completing audits (including some significant additional audits) on behalf of the Office, the higher number of financial audits completed in house, the early commencement of the financial audit program to meet audit reporting deadlines and the recovery of additional costs on financial audits.

**5. Employee**

	2005-06	2004-05
	\$	\$
Salaries	2 238 980	1 787 135
Annual Leave	12 016	93 052
Long Service Leave	43 787	93 769
Fringe Benefits Tax	28 798	41 980
Vehicle Lease	51 603	50 953
Superannuation	368 948	283 653
Temporary Audit Staff – Financial Audits	23 369	27 265
	<b>2 767 501</b>	<b>2 377 807</b>

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**5. Employee (Continued)**

The \$389 694 (16.4%) increase in *Employee Expenses* is mostly due to the Office maintaining a higher average staffing level throughout 2005-06 (30.8 full time equivalents) compared to the 2004-05 average of 25.6 full time equivalent staff. The Office was able to recruit additional staff and replace departing staff in 2005-06.

**6. Supplies and Services**

	2005-06	2004-05
	\$	\$
Contractors – Performance Audits	3 500	-
– Financial Audits	778 488	605 499
– Other	2 768	14 940
	784 756	620 439
Office Accommodation Lease	178 013	206 528
Electricity, Gas and Cleaning	23 835	15 825
Information Technology	167 294	170 252
Computer Software and Consumables	8 284	5 884
Library Journals and Subscriptions	8 647	9 363
Legal Services Received Free of Charge	9 117	-
Printing	29 941	31 581
Telephones	22 213	15 934
Security	8 617	-
Payroll and Recruitment Processing	26 965	23 486
Training	63 300	30 943
Financial Audits Provided Free of Charge	4 884	-
Write-off of Plant and Equipment	-	20 713
Other	88 622	94 780
	<b>1 424 488</b>	<b>1 245 728</b>

	2005-06	2004-05
	\$	\$
Proceeds from the Disposal of Plant and Equipment	-	-

The \$178 760 (14.3%) increase in *Supplies and Services* was largely due to an increase of \$172 989 in fees charged to the Office by financial audit contractors. Most of these higher costs related to the additional company audits required in the ECOWISE Group.

*Training* costs increased as more training was provided under the Office's Learning and Development Program (\$32 357). Also, external providers, which are more expensive than internal providers, provided a higher proportion of this training than in 2004-05.

The Office also incurred significant 'one off' costs resulting from its relocation to Moore Street in 2004-05 that were not repeated in 2005-06.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**7. Depreciation**

	2005-06	2004-05
	\$	\$
Office Fitout	51 059	18 019
Office Equipment	-	1 180
Computer Equipment	1 080	3 009
Furniture and Fittings	-	884
	<u>52 139</u>	<u>23 092</u>

*Depreciation* costs rose as a full year's depreciation was incurred on the fitout of the Office's new accommodation.

**8. Cash and Cash Equivalents**

	2006	2005
	\$	\$
Bank	123 678	431 991
Petty Cash	500	500
Investments with the Central Financing Unit	650 000	650 000
	<u>774 178</u>	<u>1 082 491</u>

The Cash Flow Statement provides detailed information on cash movements during 2005-06.

The major reason for the significant fall in *Cash and Cash Equivalents* is that the Office paid for the cost of refurbishing its new accommodation in 2005-06.

**9. Receivables**

	2006	2005
	\$	\$
Invoiced Financial Audit Debtors (i)	211 605	49 500
Accrued Financial Audit Income (ii)	915 853	739 370
Goods and Services Tax Net Receivable (iii)	3 857	46 888
Other Accrued Revenue (iv)	2 900	2 900
Other Debtors (v)	11 508	690
	<u>1 145 723</u>	<u>839 348</u>

(i) *Invoiced Financial Audit Debtors* – represents amounts billed to auditees for the audit of their financial reports. Credit terms are net 14 days.

(ii) *Accrued Financial Audit Income* – represents unbilled amounts receivable from auditees for audit work performed up until the end of the financial year.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**9. Receivables (Continued)**

- (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.
- (iv) *Other Accrued Revenue* – is the amount receivable in respect of interest earned on investments up until the end of the financial year.
- (v) *Other Debtors* – represents the refund of Fringe Benefits tax paid to the ATO.

The increase in financial audit debtors is due to the early commencement of the 2005-06 financial audit program. The Office commenced the 2005-06 program earlier than in 2004-05, to provide assurance that the 2005-06 financial audits would be completed within the whole-of-Government annual and financial reporting deadlines. In particular, the financial audit effort was focussed on addressing the issues arising from the implementation of the new Human Resources Information System (CHRIS 21), the examination of performance measures and the transition to Australian Equivalents to International Financial Reporting Standards.

<b>Aging of Receivables</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Not Overdue	1 134 215	789 158
Overdue for less than 30 days	11 508	50 190
Overdue for 30 to 60 days	-	-
Overdue for more than 60 days	-	-
Sub Total	<b>1 145 723</b>	839 348
Less: Allowance for Doubtful Debts	-	-
	<b>1 145 723</b>	<b>839 348</b>

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Receivables with other ACT Government Entities</b>		
Invoiced Financial Audit Debtors	101 230	-
Accrued Financial Audit Income	777 423	615 398
Other Accrued Revenue	2 900	2 900
Sub Total	<b>881 553</b>	618 298
Less: Allowance for Doubtful Debts	-	-
	<b>881 553</b>	<b>618 298</b>

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2006**

**9. Receivables (Continued)**

	2006 \$	2005 \$
<b>Receivables with Non ACT Government Entities</b>		
Invoiced Financial Audit Debtors	110 375	49 500
Accrued Financial Audit Income	138 430	123 972
Good and Services Tax Paid on Supplies	3 857	46 888
Other Debtors	11 508	690
Sub Total	<u>264 170</u>	<u>221 050</u>
Less: Allowance for Doubtful Debts	-	-
	<u><b>264 170</b></u>	<u><b>221 050</b></u>
Total Receivables	<u><b>1 145 723</b></u>	<u><b>839 348</b></u>

**10. Other Current Assets**

	2006 \$	2005 \$
Prepayments	<u>6 279</u>	<u>7 663</u>
	<u><b>6 279</b></u>	<u><b>7 663</b></u>

**11. Plant and Equipment**

	2006 \$	2005 \$
Office Fitout (at cost)	612 704	545 279
Less Accumulated Depreciation	<u>(55 416)</u>	<u>(4 357)</u>
	<u>557 288</u>	<u>540 922</u>
Computer Equipment (at cost)	5 379	5 378
Less Accumulated Depreciation	<u>(1 170)</u>	<u>(90)</u>
	<u>4 209</u>	<u>5 288</u>
<b>Total Plant and Equipment (at cost)</b>	<b>618 083</b>	<b>550 657</b>
<b>Less Accumulated Depreciation</b>	<b><u>(56 586)</u></b>	<b><u>(4 447)</u></b>
<b>Total Carrying Value</b>	<b><u>561 497</u></b>	<b><u>546 210</u></b>

The increase in *Plant and Equipment* was primarily due to the capitalisation of costs associated with the completion of the fitout of the Office's new accommodation in 2005-06.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2006**

**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**

	2006 \$	2005 \$
<b>Office Equipment</b>		
Carrying Amount at the Beginning of the Year	-	1 697
Additions	-	-
Depreciation	-	(1 180)
Write-offs	-	(517)
Carrying Amount at the End of the Year	-	-
<b>Office Fitout</b>		
Carrying Amount at the Beginning of the Year	540 922	33 848
Additions	67 425	545 279
Depreciation	(51 059)	(18 019)
Write-offs	-	(20 186)
Carrying Amount at the End of the Year	557 288	540 922
<b>Computer Equipment</b>		
Carrying Amount at the Beginning of the Year	5 288	2 919
Additions	-	5 378
Write-offs	-	-
Depreciation	(1 080)	(3 009)
Carrying Amount at the End of the Year	4 209	5 288
<b>Furniture and Fittings</b>		
Carrying Amount at the Beginning of the Year	-	884
Additions	-	-
Depreciation	-	(884)
Carrying Amount at the End of the Year	-	-

**12. Payables**

	2006 \$	2005 \$
Creditors and Accruals (i)	114 401	397 692
	<b>114 401</b>	<b>397 692</b>

- (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.

The large fall in *Payables* is largely due to the payment of amounts owed at the end of 2005 in relation to the fitout of the Office's new accommodation.



ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**12. Payables (Continued)**

<b>Aging of Payables</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Not Overdue	114 401	331 546
Overdue for less than 30 days	-	66 146
Overdue for 30 to 60 days	-	-
Overdue for more than 60 days	-	-
	<b>114 401</b>	<b>397 692</b>

<b>Payables with other ACT Government Entities</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Creditors and Accruals	73 978	64 507
	<b>73 978</b>	<b>64 507</b>

<b>Payables with other Non ACT Government Entities</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Creditors and Accruals	40 423	333 185
	<b>40 423</b>	<b>333 185</b>
<b>Total Payables</b>	<b>114 401</b>	<b>397 692</b>

**13. Employee Benefits**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Current - due at the reporting date</b>		
Accrued Salaries	24 284	8 559
Salary Packaging Expenses	15 869	23 900
Annual Leave	330 181	320 772
Long Service Leave	406 571	364 790
	<b>776 905</b>	<b>718 021</b>
<b>Non Current – not due at the reporting date</b>		
Long Service Leave	24 787	22 780
	<b>24 787</b>	<b>22 780</b>
<b>Total Employee Benefits</b>	<b>801 692</b>	<b>740 801</b>

As explained in Note 2 (h), *Employee Benefits* are classified as current when they are due, irrespective of when the liability is expected to be settled. Information on *Employee Benefits* estimated to be payable within 12 months and after 12 months is disclosed on the following page.

The overall increase in *Employee Benefits* is largely due to the accumulation of long service leave by staff. During the year, no staff took long service leave.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2006**

**13. Employee Benefits (Continued)**

For disclosure purposes only	2006	2005
	\$	\$
<b>Estimated amount payable within 12 months</b>		
Accrued Salaries	24 284	8 559
Salary Packaging Expenses	15 869	23 900
Annual Leave	229 523	198 506
	<b>269 676</b>	<b>230 965</b>
<b>Estimated amount payable after 12 months</b>		
Annual Leave	100 659	122 266
Long Service Leave	431 357	387 570
	<b>532 016</b>	<b>509 836</b>
<b>Total Employee Benefits</b>	<b>801 692</b>	<b>740 801</b>

**Staffing Levels**

The Office employed 29.4 full time staff equivalents at 30 June 2006 (30 June 2005 – 27.3 full time staff equivalents).

**14. Other Liabilities**

	2006	2005
	\$	\$
<b>Current</b>		
Lease Incentive Liability	15 625	15 625
Revenue in Advance – Financial Audit Fees	-	6 600
	<b>15 625</b>	<b>22 225</b>
<b>Non Current</b>		
Lease Incentive Liability	52 083	47 920
	<b>52 083</b>	<b>47 920</b>

The *Lease Incentive Liability* represents lease incentives (e.g. half rent) included in the Office's accommodation lease. This liability is amortised over the 6-year lease term.

**15. Accumulated Funds**

	2006	2005
	\$	\$
Balance at the Beginning of the Year	1 267 074	650 524
Capital Injection	-	650 000
Operating Surplus / (Deficit)	236 802	(33 450)
<b>Balance at the End of the Year</b>	<b>1 503 876</b>	<b>1 267 074</b>

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2006**

**16. Auditor's Remuneration**

The Treasurer appointed the auditor to audit the Office's financial report and to provide a report of factual findings on the Office's statement of performance. The auditor's remuneration for 2005-06 is \$6 500 (2004-05: \$5 800).

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

**17. Commitments**

*Operating Lease Commitments*

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

	2006	2005
	\$	\$
Not later than one year	443 912	470 446
Later than one year and not later than five years	1 163 589	1 496 297
Later than five years	-	99 317
	<b>1 607 501</b>	<b>2 066 060</b>

*Operating Lease Commitments* fell as operating lease payments were made for the Office's accommodation and Information Technology equipment.

*Other Commitments*

Other commitments to financial audit contractors are as follows.

	2006	2005
	\$	\$
Not later than one year	615 765	30 240
Later than one year and not later than five years	555 660	36 740
Later than five years	-	-
	<b>1 171 425</b>	<b>66 980</b>

*Other Commitments* rose substantially as new three-year contracts were entered into with audit contractors in 2005-06 to assist the Office to complete the financial audit program.

**18. Contingent Liabilities**

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

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**19. 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.

**20. 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
<b>Financial Assets</b>			
Cash and Cash			
Equivalents	8	See Note 2 (c)	
Receivables	9	See Note 2 (d)	See Note 9
<b>Financial Liabilities</b>			
Payables	12	See Note 2 (g)	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 Balance Sheet because of the short term to maturity or realisation for cash and receivables and the expected short term to payment of payables.

**(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 receivables.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2006**

**20. Financial Instruments (continued)**

**(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.

**30 June 2006**

<b>Financial Assets</b>	<b>Weighted Average Interest Rate %</b>	<b>Floating Interest Rate \$</b>	<b>Non-Interest Bearing \$</b>	<b>Total \$</b>
Cash and Cash Equivalents	5.90%	650 000	124 178	774 178
Receivables	-	-	1 145 723	1 145 723
<b>Total</b>		<b>650 000</b>	<b>1 269 901</b>	<b>1 919 901</b>
<b>Financial Liabilities</b>				
Payables	-	-	114 401	114 401
<b>Total</b>			<b>114 401</b>	<b>114 401</b>
<b>Net Financial Assets</b>		<b>650 000</b>	<b>1 155 500</b>	<b>1 805 500</b>

**30 June 2005**

<b>Financial Assets</b>	<b>Weighted Average Interest Rate %</b>	<b>Floating Interest Rate \$</b>	<b>Non-Interest Bearing \$</b>	<b>Total \$</b>
Cash and Cash Equivalents	5.43%	650 000	432 491	1 082 491
Receivables	-	-	839 348	839 348
<b>Total</b>		<b>650 000</b>	<b>1 271 839</b>	<b>1 921 839</b>
<b>Financial Liabilities</b>				
Payables	-	-	397 692	397 692
<b>Total</b>			<b>397 692</b>	<b>397 692</b>
<b>Net Financial Assets</b>		<b>650 000</b>	<b>874 147</b>	<b>1 524 147</b>

**ACT AUDITOR-GENERAL'S OFFICE**

<p><b>Notes to the Financial Report</b></p> <p><b>Year Ended 30 June 2006</b></p>
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**20. Financial Instruments (continued)**

**Reconciliation of Net Financial Assets to Net Assets**

	2006	2005
	\$	\$
<b>Net Financial Assets as above</b>	<b>1 805 500</b>	<b>1 524 147</b>
Non Financial Assets and Liabilities		
Other Current Assets	6 279	7 663
Plant and Equipment	561 497	546 210
Employee Benefits	(801 692)	(740 801)
Other Liabilities	(67 708)	(70 145)
<b>Net Assets as reported in the Balance Sheet</b>	<b>1 503 876</b>	<b>1 267 074</b>

**21. Related Parties**

Australian Accounting Standard AASB 124: 'Related Party Disclosures' (AASB 124) applies only to private sector entities. One of the significant requirements of AASB 124 is to require the financial reports of private sector entities to disclose transactions that have taken place between the Key Management Personnel<sup>3</sup> of an entity and parties that are related to the Key Management Personnel.

The Office considers that it represents better practice to include related party disclosures in its financial report. The following disclosures are therefore made in relation to the Auditor-General, the Director, Performance Audits and Corporate Services and the Director, Financial Audits as they are considered to be Key Management Personnel for the purposes of AASB 124.

The remuneration paid to the Auditor-General, the Director, Performance Audits and Corporate Services and the Director, Financial Audits is determined by the ACT Remuneration Tribunal and tabled in the ACT Legislative Assembly.

In 2004-05, WalterTurnbull conducted an audit of the Office's compliance with taxation legislation as part of a whole of government program arranged by the Department of Treasury. The amount paid to WalterTurnbull for this audit was \$4 400 including GST. WalterTurnbull did not provide services to the Office in 2005-06.

The Director, Financial Audits is the brother of an Executive Director in WalterTurnbull. WalterTurnbull conducts financial 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. Any 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.

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<sup>3</sup> AASB 124 defines 'Key Management Personnel' as those persons that have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2006**

**21. Related Parties (Continued)**

In 2004-05, due to the relocation of the Office and the consequent disposal of Office furniture and equipment, eight employees acquired various items of office furniture and electrical equipment with an aggregate value of \$1,790 inclusive of GST. The items were sold to employees at market values that were determined via an independent valuation. In 2005-06, two employees purchased office furniture with an aggregate value of \$40 including GST.

**22. Reconciliation of Previous Australian Generally Accepted Accounting Principles (AGAAP) to Australian Equivalents to International Financial Reporting Standards (AIFRS)**

**Reconciliation of the Operating Statement for the Year Ended 30 June 2006**

	Previous AGAAP Actual 2004-05 \$	Effect of Transition to AIFRS	AIFRS  2004-05 \$
<b>INCOME</b>			
Appropriation	1 279 000	-	1 279 000
Financial Audit Fees	2 282 721	-	2 282 721
Other	51 456	-	51 456
<b>Total Income</b>	<b>3 613 177</b>	<b>-</b>	<b>3 613 177</b>
<b>EXPENSES</b>			
Employee	2 377 807	-	2 377 807
Supplies and Services	1 245 728	-	1 245 728
Depreciation	23 092	-	23 092
<b>Total Expenses</b>	<b>3 646 627</b>	<b>-</b>	<b>3 646 627</b>
<b>Operating (Deficit)</b>	<b>(33 450)</b>	<b>-</b>	<b>(33 450)</b>

This reconciliation shows that the preparation of the Operating Statement using Australian Equivalents to International Financial Reporting Standards has had no effect on the 2004-05 results previously reported under Australian Generally Accepted Accounting Principles.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**22. Reconciliation of Previous Australian Generally Accepted Accounting Principles (AGAAP) to Australian Equivalents to International Financial Reporting Standards (AIFRS) (Continued)**

**Reconciliation of the Balance Sheet as at 30 June 2005**

	Note	Previous AGAAP Actual 2005 \$	Effect of Transition to AIFRS \$	AIFRS  2005 \$
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents		1,082,491	-	1,082,491
Receivables		839 348	-	839 348
Other		7 663	-	7 663
<b>Total Current Assets</b>		<b>1 929 502</b>	<b>-</b>	<b>1 929 502</b>
<b>NON-CURRENT ASSETS</b>				
Plant and Equipment		546 210	-	546 210
<b>Total Non-Current Assets</b>		<b>546 210</b>	<b>-</b>	<b>546 210</b>
<b>Total Assets</b>		<b>2 475 712</b>	<b>-</b>	<b>2 475 712</b>
<b>CURRENT LIABILITIES</b>				
Payables		397 692	-	397 692
Employee Benefits	(a)	230 965	487 056	718 021
Other		22 225	-	22 225
<b>Total Current Liabilities</b>		<b>650 882</b>	<b>487 056</b>	<b>1 137 938</b>
<b>NON-CURRENT LIABILITIES</b>				
Employee Benefits	(a)	509 836	(487 056)	22 780
Other		47 920	-	47 920
<b>Total Non-Current Liabilities</b>		<b>557 756</b>	<b>(487 056)</b>	<b>70 700</b>
<b>Total Liabilities</b>		<b>1 208 638</b>	<b>-</b>	<b>1 208 638</b>
<b>NET ASSETS</b>		<b>1 267 074</b>	<b>-</b>	<b>1 267 074</b>
<b>EQUITY</b>				
Accumulated Funds		1 267 074	-	1 267 074
<b>Total Equity</b>		<b>1 267 074</b>	<b>-</b>	<b>1 267 074</b>



ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2006**

**22. Reconciliation of Previous Australian Generally Accepted Accounting Principles (AGAAP) to Australian Equivalents to International Financial Reporting Standards (AIFRS) (Continued)**

**Reconciliation of the Balance Sheet as at 1 July 2004**

	Note	Previous AGAAP Actual 2004 \$	Effect of Transition to AIFRS \$	AIFRS 2004 \$
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents		494 512	-	494 512
Receivables		853 663	-	853 663
Other		7 203	-	7 203
<b>Total Current Assets</b>		<b>1 355 378</b>	-	<b>1 355 378</b>
<b>NON-CURRENT ASSETS</b>				
Plant and Equipment		39 348	-	39 348
<b>Total Non-Current Assets</b>		<b>39 348</b>	-	<b>39 348</b>
<b>Total Assets</b>		<b>1 394 726</b>	-	<b>1 394 726</b>
<b>CURRENT LIABILITIES</b>				
Payables		154 338	-	154 338
Employee Benefits	(a)	168 674	326 052	494 726
Other		34 779	-	34 779
<b>Total Current Liabilities</b>		<b>357 791</b>	<b>326 052</b>	<b>683 843</b>
<b>NON-CURRENT LIABILITIES</b>				
Employee Benefits	(a)	368 236	(326 052)	42 184
Other		18 175	-	18 175
<b>Total Non-Current Liabilities</b>		<b>386 411</b>	<b>(326 052)</b>	<b>60 359</b>
<b>Total Liabilities</b>		<b>744 202</b>	-	<b>744 202</b>
<b>NET ASSETS</b>		<b>650 524</b>	-	<b>650 524</b>
<b>EQUITY</b>				
Accumulated Funds		650 524	-	650 524
<b>Total Equity</b>		<b>650 524</b>	-	<b>650 524</b>

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2006**

**22. Reconciliation of Previous Australian Generally Accepted Accounting Principles (AGAAP) to Australian Equivalents to International Financial Reporting Standards (AIFRS) (Continued)**

**Note (a)**

Under Australian Generally Accepted Accounting Principles previously used to prepare the financial report, the current and non-current classification of *Employee Benefits* in the Balance Sheet was based on an assessment on when the payment of the liability would be made. *Employee Benefits* were classified as 'current' when payment of the liability was expected within the next 12 months. All other *Employee Benefits* were classified as 'non-current'.

Under AASB 101: 'Presentation of Financial Statements', *Employee Benefits* should be classified as a current liability in the Balance Sheet unless the payment of these entitlement could not occur within the next 12 months. As shown in the reconciliation of the Balance Sheets as at 30 June 2005 and 1 July 2004, the application of this requirement results in *Employee Benefits* (annual leave and long service leave) being reclassified from a non-current liability to a current liability regardless of whether payment of these liabilities is expected to occur within the next 12 months.

Note 12 Employee Benefits provides information on the amounts estimated to be paid within 12 months and the amounts estimated to be payable after 12 months.

**STATEMENT OF PERFORMANCE**

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF PERFORMANCE  
YEAR ENDED 30 JUNE 2006**

**STATEMENT OF RESPONSIBILITY**

In my opinion, the accompanying statement of performance for the ACT Auditor-General's Office for the year ended 30 June 2006 fairly reflects the operational performance of the Office for the year ended 30 June 2006.



Tu Pham  
Auditor-General

14 July 2006

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF PERFORMANCE  
YEAR ENDED 30 JUNE 2006**

**STATEMENT BY THE CHIEF FINANCE OFFICER**

In my opinion, the accompanying statement of performance for the ACT Auditor-General's Office for the year ended 30 June 2006 fairly reflects the operational performance of the Office for the year ended 30 June 2006.



Bernie Sheville  
Chief Finance Officer

14 July 2006

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF PERFORMANCE**

**YEAR ENDED 30 JUNE 2006**

The Office's objectives are to inform the Legislative Assembly and the community of the performance of the ACT public sector and to contribute to improving agency performance and to operate in a cost efficient manner.

The Office fulfils its role and meets its objectives by efficiently conducting audits of the annual financial statements of the Territory, Departments and Territory Authorities and performance audits and other reviews.

The performance indicators below measure the number and timeliness of reports as well as measuring the quality and effectiveness of audit work using feedback obtained from agencies and the acceptance rate of recommendations made on financial audits. The cost effectiveness of the Office can be evaluated by considering the audit costs per hour and by comparing the cost of the Office to total Territory expenditure.

<b>Measures</b>	<b>Notes</b>	<b>Target</b>	<b>Result</b>	<b>Variance from Target (%)</b>
<b>Costs</b>				
Audit costs per hour excluding contractor costs	1	\$109.55	\$96.68	(12)
Office costs as a percentage of total Territory expenditure	2	0.1298%	0.1430%	10
<b>Quantity</b>				
Number of financial audit opinions issued	3	82	95	16
Number of audit reports presented to the Legislative Assembly	4	9	8	(11)
<b>Quality/Effectiveness</b>				
Percentage of Chief Executives satisfied with financial audits	5	95%	98%	3
Percentage of Chief Executives satisfied with performance audit reports	6	95%	97%	2
Percentage of recommendations accepted in financial audits	7	95%	96%	1
<b>Timeliness</b>				
Percentage of financial audits completed within the required timetable	8	100%	97%	(3)
Average period of completion of performance audits	9	9 months	8.2 months	(9)

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

## **Explanations**

- 1 Audit cost per hour excluding contractor costs** (i.e. the Office's 'internal costs') represents total expenses of the Office less contractor costs divided by the number of hours charged to audits by Office staff.

The target **Audit cost per hour excluding contractor costs** of \$109.55 was calculated as the budget total expenses of \$3 850 830 less budget contractor costs of \$478 400 divided by the budget number of hours of 30 784 (based on 2004-05 actual hours).

The actual **Audit cost per hour excluding contractor costs** was calculated as the actual total expenses of \$4 244 128 less actual contractor costs of \$784 756 divided by the actual number of hours of 35 783.

Although total expenses incurred by the Office exceeded the budgeted amount by \$390 692, most of this increase related to audit contractor costs (\$306 356) rather than the Office's 'internal costs'. As the actual audit hours exceeded budget estimates, the **Audit costs per hour excluding contractor costs** were less than expected.

- 2 Office costs as a percentage of total Territory expenditure** represents total Office costs divided by total Territory expenditure.

The target **Office costs as a percentage of total Territory expenditure** of 0.1298% represents the budget Office expenses for 2005-06 of \$3 850 830 divided by total budget Territory expenditure for 2005-06 as reported in the 2005-06 Budget Operating Statement for the Australian Capital Territory of \$2 967m<sup>4</sup>.

The **Office costs as a percentage of total Territory expenditure** was 0.1437%. This was calculated as actual Office expenses of \$4 244 128 divided by the 2005-06 estimated outcome of the total Territory expenditure of \$2 952m<sup>5</sup>.

**Office costs as a percentage of total Territory expenditure** exceeded the target due to the Office costs being higher than anticipated at the time of the budget. The main reasons for the Office's costs exceeding budget were the higher audit contractor and training costs.

- 3 Number of financial audit opinions issued** represents the financial audits that were completed and audit opinions issued in the period from 1 July 2005 to 30 June 2006. This list includes financial audits for the years ending 30 June 2005 and 31 December 2005.

The **Number of financial audit opinions issued** (95) was significantly higher than anticipated (82) because of an unexpected increase in the number of financial audits including grant acquittal audits. Most of these audits are classified as 'Other Audits' in the list of 'Financial Audits Completed in 2005-06' presented later in this statement.

<sup>4</sup> Page 151 of 2005-06 Budget Paper No. 3.

<sup>5</sup> 2006-07 Budget Paper No. 3 Forward Estimates.

**Explanations (Continued)**

**4. Number of audit reports presented to the Legislative Assembly.** The following audit reports were presented in the Legislative Assembly in 2005-06.

- a. Reporting on Ecologically Sustainable Development
- b. Courts Administration
- c. Government Procurement
- d. 2004-05 Financial Audits
- e. Regulation of Charitable Collections on Incorporated Associations
- f. Public Housing
- g. Management of Trust Money and Other Non-Profit Money
- h. Road Safety

The number of reports tabled was one less than expected.

**5. Percentage of Chief Executives satisfied with financial audits.** A survey of Chief Executives was conducted to rate their satisfaction with financial audits completed in 2005-06. The results of the survey are shown below.

Rating	No. of Responses	%
Very Good	14	30
Good	25	53
Satisfactory	7	15
Poor	1	2
Very Poor	-	-
<b>Total</b>	<b>47</b>	<b>100</b>

One Chief Executive was unable to respond to the survey because staff representatives involved in the reporting process had left the agency (ACT Forests).

The **Percentage of Chief Executives satisfied with financial audits** (98%) was higher than the target. 83% of the Chief Executives rated the Office's performance as 'good' or 'very good'.

The University of Canberra College Pty Ltd rated the Office's performance as 'poor', however, the reasons for this rating were not provided.

**Explanations (Continued)**

- 6 Percentage of Chief Executives satisfied with performance audit reports** was based on a survey completed by the Chief Executives of audited agencies. The results of the survey are shown below.

Rating	No. of Responses	%
Very Good	7	22
Good	18	56
Satisfactory	6	19
Poor	1	3
Very Poor	-	-
<b>Total</b>	<b>32</b>	<b>100</b>

One Chief Executive was unable to respond to the survey because staff representatives involved in the audit process had left the agency (Office of the Commissioner for the Environment).

The **Percentage of Chief Executives satisfied with performance audits** (97%) was higher than the target. 78% of the Chief Executives rated the Office's performance as 'good' or 'very good'.

One Chief Executive Officer rated the Office's performance on the 'Management of Trust Moneys and Other Non-Profit Moneys' audit as 'poor'. The rating related to the Canberra Institute of Technology's concern that the objectives and requirements of the audit were unclear and changed during the audit. The Institute was also concerned about the timing of the audit as it coincided with the audit of its financial report.

- 7 Percentage of recommendations accepted in financial audits** is calculated as the number of recommendations accepted by the auditee divided by the number of recommendations made in management letters relating to financial audits.

The result of 96% (i.e. 206 accepted out of 215 recommendations made in 2005-06) was slightly higher than the target acceptance rate of 95%.

- 8 Percentage of financial audits completed within the required timetable.** The 'required timetable' refers to the timetable as agreed between the Office and Treasury to meet legislative requirements, or, where there is no legislative timeframe, the time agreed between the Office and the agency.

The result of 90 (97%) of the 93 audit opinions being issued within the required timetable was slightly below the target of 100%.

Three audits, the Territory's Consolidated Annual Financial Statements, Totalcare Industries Ltd and the University of Canberra College Pty Ltd, were not completed by the due date because the auditee did not provide signed financial statements by that date.



**Explanations (Continued)**

- 9 Average period of completion of performance audits** covers the performance audits completed and reported in 2005-06.

This measure reports the average duration of a performance audit, from commencement to completion. For the purposes of considering achievements against this target, a performance audit will be taken to have commenced when an engagement letter is sent to the relevant Chief Executive (or equivalent). Typically, some planning activity will have been undertaken prior to 'commencement' of the audit. Completion is taken to be the date the formal report is presented to the Speaker of the Legislative Assembly for tabling (or, if the report is not tabled, the date it is formally presented to the relevant agency or person).

<p>This target was achieved as performance audits were completed in an average period of 8.2 months.</p>
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## Explanations (Continued)

### FINANCIAL AUDITS COMPLETED IN 2005-2006<sup>6</sup>

#### Territory Financial Audit

1. Consolidated Annual Financial Statements

#### Departmental Financial Audits

2. Central Financing Unit
3. Chief Minister's Department
4. Disability, Housing and Community Services
5. Economic Development
6. Education and Training
7. Emergency Services Authority
8. Executive
9. Forests
10. Health
11. Home Loan Portfolio
12. Housing ACT
13. InTACT
14. Justice and Community Safety
15. Legislative Assembly Secretariat
16. Office for Children, Youth and Family Support
17. Planning and Land Authority
18. Superannuation Unit
19. Treasury
20. Urban Services
21. Workcover

#### Statutory Authorities

22. ACTION
23. Australian Capital Tourism Corporation
24. Australian International Hotel School
25. Building and Construction Industry Training Fund Board
26. Canberra Institute of Technology
27. Canberra Public Cemeteries Board
28. Cleaning Industry Long Service Leave Board
29. Construction Industry Long Service Leave Board
30. Cultural Facilities Corporation
31. Gambling and Racing Commission
32. Healthpact
33. Independent Competition and Regulatory Commission
34. Insurance Authority
35. Land Development Agency
36. Legal Aid Commission
37. National Exhibition Centre Trust (EPIC)
38. Public Trustee Office Account
39. Public Trustee Trust Account
40. Stadiums Authority
41. University of Canberra
42. Workers' Compensation Supplementation Fund

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<sup>6</sup> These audits represent the financial audits that were completed and audit opinions issued in the period for 1 July 2005 to 30 June 2006. This list includes audits for years ending 30 June 2005 and 31 December 2005.

## Explanations (Continued)

### Territory Owned Corporations and Other Companies

43. ACTEW China Pty Ltd
44. ACTEW Corporation Ltd
45. ACTEW Distribution Ltd
46. ACTEW Retail Ltd
47. ACTTAB Ltd
48. CIT Solutions Pty Ltd
49. Community Housing Canberra Ltd
50. ECOWISE Environmental Pty Ltd
51. ECOWISE Environmental (VIC) Pty Ltd
52. Rhodium Asset Solutions Ltd
53. Totalcare Industries Ltd
54. University of Canberra College Pty Ltd
55. Water Quality Centres Pty Ltd
56. Water ECOscience Pty Ltd

### Land Joint Ventures and Partnerships

57. ActewAGL Concise Statements
58. ActewAGL Distribution Partnership
59. ActewAGL Joint Venture General Purpose Statements
60. ActewAGL Retail Partnership
61. Amaroo 3 Joint Venture
62. Amaroo 3 Joint Venture Pty Ltd
63. Gold Creek Country Club
64. Gordon 1 / Gordon 9 Southside Estates
65. Harcourt Hill Estate
66. Harcourt Hill Estate Pty Ltd
67. Kingston Foreshore Development Authority/ St Hilliers Joint Venture

### Other Audits

68. ACT Health – The Canberra Hospital Simplified Billing Special Purpose Financial Statements
69. Australian National Training Authority – AVETMISS Annual Return - December 2004
70. Australian National Training Authority – Baseline Expenditure Annual Return - December 2004
71. Australian National Training Authority – Recurrent and Capital Funds Annual Return – December 2004
72. Australian National Training Authority – Recurrent and Capital Funds Annual Return – June 2005
73. Canberra Business Development Fund – June 2005
74. Commonwealth Funding under *Australian Land Transport Development Act 1988*
75. Commonwealth Funding under *Interstate Road Transport Act 1985*
76. Commonwealth Funding under *Roads to Recovery Act 2000*
77. Commonwealth State Housing Agreement 2005
78. Department of Education, Science and Training – Recurrent and Capital Funds Annual Return – December 2005
79. DEST Baseline Expenditure Annual Return – December 2005
80. Gungahlin Cemetery Perpetual Care Trust
81. Hall Cemetery Perpetual Care Trust
82. National Centre for Vocational, Education and Research – AVETMISS Annual Return – December 2005
83. Natural Disaster Relief Arrangements Acquittal – June 2003
84. Natural Disaster Relief Arrangements Acquittal – June 2004
85. Natural Disaster Relief Arrangements Acquittal – June 2005
86. Nicholls Primary School Joint Facilities
87. Nominal Insurer

**Explanations (Continued)**

**Other Audits (Continued)**

- 88. Public Trustees Gift Fund – June 2003
- 89. Public Trustees Gift Fund – June 2004
- 90. Public Trustees Gift Fund – June 2005
- 91. Public Trustees Open Fund – June 2003
- 92. Public Trustees Open Fund – June 2004
- 93. Public Trustees Open Fund – June 2005
- 94. University of Canberra Grant Acquittal
- 95. Woden Cemetery Perpetual Care Trust

INDEPENDENT AUDIT REPORT

Di Bartolo Diamond & Mihailaros

An Australian Capital Territory Partnership



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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 Responsibilities*

The annual financial report of the ACT Auditor General's Office for the year ended 30 June 2006 comprises the Statement of Responsibility by the ACT Auditor General, Operating Statement, Balance Sheet, Cash Flow Statement, Statement of Appropriations and the accompanying notes.

The ACT Auditor General is responsible for the preparation and true and fair presentation of the annual financial report in accordance with 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 the Financial Management Act 1996. Our audit has been conducted in accordance with Australian Auditing and Assurance Standards to provide reasonable assurance as to whether the accounts are free of any 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 controls 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 respects that 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:

- Examination, 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.

### **Independence**

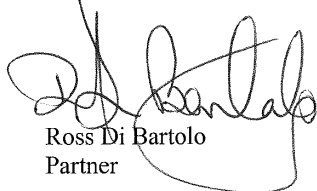
In conducting our audit, we followed applicable independence requirements of the Australian professional ethical pronouncements.

### **Audit Opinion**

In our opinion, the financial report of the ACT 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 2006 and of its performance for the financial year ended on that date; and
- Is presented in accordance with the Financial Management Act 1996, Accounting Standards and other mandatory professional reporting requirements.

PKF - Di Bartolo Diamond & Mihailaros



Ross Di Bartolo  
Partner

Canberra  
31 July 2006

# Di Bartolo Diamond & Mihailaros

An Australian Capital Territory Partnership



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## REPORT OF FACTUAL FINDINGS ACT AUDITOR GENERAL'S OFFICE

### To the Members of the ACT Legislative Assembly

#### Findings

Based on our procedures, no matters have come to our attention which indicate the Statement of Performance of the ACT Auditor General's Office for the year ended 30 June 2006 does not fairly present the performance of the Department in accordance with the *Financial Management Act 1996*.

#### Responsibility for the Statement of Performance

The Chief Financial Officer of the ACT Auditor General's Office is responsible for the Statement of Performance. This includes responsibility for the maintenance of adequate supporting records and internal controls that are designed to prevent and detect fraud and error, and for the measurement policies and estimates used in the preparation of the Statement of Performance.

#### The Auditor's Responsibility

In accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, our responsibility is to provide a report of factual findings on the performance measures included in the ACT Auditor General's Office Statement of Performance.

#### Scope

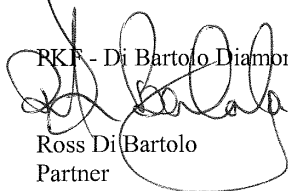
We have reviewed the Statement of Performance of the ACT Auditor General's Office for the year ended 30 June 2006, in order to report on whether any matters have come to our attention that would indicate that the Statement of Performance is not fairly presented in accordance with the *Financial Management Act 1996*.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is primarily limited to inquiries of the ACT Auditor General's Office representatives, analytical procedures and the examination of other available evidence. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Statement of Performance. Our procedures also did not include an assessment of the relevance or appropriateness of the measures contained within the Statement of Performance. We have not expressed an opinion on the accuracy of explanations provided for variations between actual and budgeted performance due to the essential subjectivity of these explanations.

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

PKF - Di Bartolo Diamond & Mihailaros



Ross Di Bartolo  
Partner

Canberra 31 July 2006

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A Member Firm of  
PKF International

PARTNERS:  
Ross Di Bartolo B.A (Accounting), FCA  
George Diamond B.Ec. FCA  
John Mihailaros B.Comm (Accounting), CA

## FINANCIAL STATEMENT AUDIT FEES

Section 16(6) of the *Auditor-General Act 1996* requires the 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.

Agencies are charged a fee for financial audits undertaken by the ACT Auditor-General's Office. Audit fees are estimated for each financial audit, broadly based on the estimated time needed to complete the audit. The Office prepares these time estimates using information on the actual time taken to complete these audits in previous years and takes into account any major factors that would cause significant changes to the resources needed to complete the audit. Major factors that tend to affect the time needed to complete an audit include changes to information systems used by the agency, variations to the number and type of performance measures, new audit or accounting issues and the effects of administrative restructures.

The Office aims to provide budget consistency and certainty, especially for small agencies, by minimising fee variations between years. This practice means that the Office, with few exceptions, charges the previously advised estimated fees regardless of whether small surpluses or losses are subsequently recorded on individual audits.

Overall audit fees also cover costs related to other general financial audit activities including the completion of the annual summary report to the Legislative Assembly on financial audits, maintaining and upgrading the Office's financial audit methodology and advice and liaison with Treasury on audit and accounting issues.

Agencies, on average, were paying in the range of \$90 to \$110 per hour for the completion of their financial audits in 2004 and 2005. This compares favourably to the rates charged by private audit firms for work outsourced by the Office, which typically range from \$145 to \$190 per hour.

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.



## ANALYSIS OF FINANCIAL PERFORMANCE

### Financial Audit Fees<sup>7</sup>

Agency	2005 Audit Fees <sup>8</sup> \$	2004 Audit Fees \$	2003 Audit Fees \$
<b>Territory Financial Statements</b>			
Consolidated Annual Financial Statements	68 000	62 000	58 900
	<b>68 000</b>	<b>62 000</b>	<b>58 900</b>
<b>Departmental Financial Audits</b>			
Central Financing Unit	33 200	30 135	28 700
Chief Minister's Department	85 000	84 300	80 200
Disability, Housing and Community Services	46 200	42 000	40 000
Economic Development	46 500	Nil	Nil
Education and Training	88 000	79 000	84 600
Emergency Services Authority	46 000	Nil	Nil
Executive	6 800	5 636	5 900
Forests	43 700	35 500	33 500
Health	127 000	140 545	110 000
Home Loan Portfolio	11 000	10 000	9 500
Housing ACT	70 000	64 000	60 350
InTACT	53 000	48 000	45 700
Justice and Community Safety	80 000	91 200	86 700
Legislative Assembly Secretariat	17 000	17 000	14 000
Office for Children, Youth and Family Support	46 000	10 000	Nil
Planning and Land Authority	50 000	47 000	Nil
Superannuation Unit	35 000	32 600	30 000
Treasury	98 200	89 250	85,000
Urban Services	200 300	182 500	173 400
Workcover	22 200	20 300	19 250
	<b>1 205 100</b>	<b>1 028 966</b>	<b>972 100</b>
<b>Statutory Authorities</b>			
ACTION Authority	63 500	58 000	55 000
Agents Board of the ACT – 30 June 2003	Nil	Nil	8 900
Agents Board of the ACT – 31 October 2003	Nil	Nil	9 500
Australian Capital Tourism Corporation	17 300	19 300	15 000
Australian International Hotel School	24 000	18 900	18 000
Building and Construction Industry Training Fund Board	5 700	5 200	4 900
Canberra Institute of Technology	65 500	62 400	59 400
Canberra Public Cemeteries Board	17 000	20 000	13 950
Cleaning Industry Long Service Leave Board	13 200	12 090	11 500
Community Care	Nil	Nil	30 500
Construction Industry Long Service Leave Board	18 000	15 182	14 400
Cultural Facilities Corporation	20 800	18 900	18 000
Gambling and Racing Commission	19 200	17 500	16 650
Gungahlin Development Authority	Nil	Nil	12 000
Healthpact	7 500	6 818	6 500
Independent Competition and Regulatory Commission	6 300	6 000	5 400
Insurance Authority	40 000	36 700	34 000
Kingston Foreshore Development Authority	Nil	Nil	8 500
Land Development Agency	100 000	90 000	65 300 <sup>9</sup>

<sup>7</sup> The audit fees shown for 2005 represent 31 December 2004 and 30 June 2005 financial year ends.

<sup>8</sup> The financial audit fees shown in this table represent the audit fees charged to auditees. The fees presented in the table varies from that reported in the annual financial statements due to accrual information being included in the audited financial statements.

**ANALYSIS OF FINANCIAL PERFORMANCE**

Agency	2005 Audit Fees <sup>9</sup> \$	2004 Audit Fees \$	2003 Audit Fees \$
Legal Aid Commission	21 600	19 700	18 700
National Exhibition Centre Trust (EPIC)	10 000	9 300	8 800
Public Trustee Office Account	13 700	12 000	11 850
Public Trustee Trust Account	15 000	13 600	12 900
Stadiums Authority	37 200	33 818	32 200
The Canberra Hospital	Nil	Nil	68 000
University of Canberra	104 273	99 300	94 500
Workers' Compensation Supplementation Fund	14 950	6 200	5 900
	<b>634 723</b>	<b>580 708</b>	<b>660 250</b>
<b>Territory Owned Corporations and Other Companies</b>			
ACTEW China Pty Ltd	4 250	3 750	4 575
ACTEW Corporation Ltd	111 300	103 200	101 145
ACTEW Distribution Ltd	8 150	7 600	9 190
ACTEW Retail Ltd	8 150	7 600	8 730
ACTTAB Ltd	39 500	36 000	34 250
CIT Solutions Pty Ltd	20 600	19 600	18 600
Community Housing Canberra Ltd	9 000	8 200	7 800
ECOWISE Environmental Pty Ltd	50 000	50 900	16 500
ECOWISE Environmental (Victoria) Pty Ltd	61 000	Nil	Nil
Rhodium Asset Solutions Ltd	50 400	Nil	Nil
Totalcare Industries Ltd	64 765	175 068	145 000
University of Canberra College Pty Ltd	11 445	10 900	10 300
Water ECOscience Pty Ltd	8 000	Nil	Nil
Water Quality Centres Pty Ltd	66 000	Nil	Nil
	<b>512 560</b>	<b>422 818</b>	<b>356 090</b>
<b>Joint Ventures and Partnerships</b>			
ActewAGL Joint Venture	147 600	148 800	119 500
Amaroo 3 Joint Venture	4 000	6 000	7 000
Dunlop 1 – Jarramlee Park	Nil	Nil	1 909
Gold Creek Country Club Pty Ltd	18 000	15 000	14 000
Gordon 1 / Gordon 9 Southside Estates	2 600	2 700	3 000
Harcourt Hill Estate	5 000	19 800	22 550
Kingston Stage 1A Joint Venture	5 000	5 000	3 000
Nicholls Lakeside Estate	Nil	2 150	1 950
Dunlop 3 – Dunlop Hills	Nil	Nil	Nil
Palmerston 4 Joint Venture	Nil	Nil	1 500
	<b>182 200</b>	<b>199 450</b>	<b>174 409</b>
<b>Other Audits</b>			
Australian National Training Authority – AVETMISS - December 2004	2 500	2 100	2 000
Australian National Training Authority – Baseline Funding – December 2004	2 500	2 100	2 000
Australian National Training Authority – Recurrent – December 2004	2 500	2 100	2 000
Australian National Training Authority – Recurrent – June 2005	2 750	Nil	Nil
Canberra Business Development Fund – December 2004	2 300	2,100	2 000

<sup>9</sup> This fee represents the amount charged to the former Land Group only. The Land Development Agency is the amalgamation of the former Land Group, Kingston Foreshore Development Authority and the Gungahlin Development Authority.

**ANALYSIS OF FINANCIAL PERFORMANCE**

<b>Agency</b>	<b>2005 Audit Fees<sup>8</sup> \$</b>	<b>2004 Audit Fees \$</b>	<b>2003 Audit Fees \$</b>
Canberra Business Development Fund – June 2005	2 300	2 100	2 000
City Edge Joint Venture	Nil	Nil	3 500
Commonwealth Funding Roads Acquittal	7 500	3 990	3 800
Commonwealth State Housing Agreement Acquittals	8 500	15 000	6 900
University of Canberra Grant Acquittal	3 300	3 000	2 845
Natural Disaster Relief Arrangements	7 273	2 720	22 230
Nicholls Primary School Joint Facilities	900	840	800
Nominal Insurer	2 400	2 300	2 080
Acquittal of Networking the Nation Grant	Nil	3 182	Nil
Acquittal of Bushfire Mitigation Program	8 000	Nil	Nil
ACT Health Simplified Billing Acquittal	20 000	24 373	Nil
Television Black Spots Acquittal	2 500	Nil	Nil
Capital Region Foundation Gift Fund <sup>10</sup>	Nil	Nil	Nil
Capital Region Foundation Open Fund <sup>11</sup>	Nil	Nil	Nil
	<b>75 223</b>	<b>65 905</b>	<b>52 155</b>
<b>Total Fees</b>	<b>2 677 806</b>	<b>2 360 047</b>	<b>2 208 604</b>

<sup>10</sup> These audits are performed free of charge.

<sup>11</sup> These audits are performed free of charge.

## **STRATEGIC ASSET MANAGEMENT**

### **ASSETS MANAGED**

The Office's plant and equipment assets are largely comprised of the Office's fit-out and the other equipment and furniture normally associated with a small professional Office such as computer equipment, desks and chairs etc. As shown in the Office's financial report, the book value of these assets at 30 June 2006 was \$561 000.

The only assets added to the Office's asset register in 2005-06 related to the completion of the Office fit-out. There were no significant assets disposals in 2005-06 from the Office's asset register.

The Office conducted stocktakes of its portable and attractive assets (mainly computer assets) to ensure these assets were accounted for. At 30 June 2006, assets managed by the Office were in working order and there were no assets considered to be potentially surplus to Office needs or not used.

### **ASSETS MAINTENANCE AND UPGRADE**

The only major asset upgrade completed during 2005-06 was the completion of the Office's fit-out referred to above.

### **OFFICE ACCOMMODATION**

At 30 June 2006, the Office occupied 500 square metres in one location and employed 30 (29.4 full time equivalent) staff. This equates to 16.6 square metres per employee and is slightly higher than the minimum target of 15 square metres per employee.

### **ENERGY REDUCTION STRATEGIES**

Specific information on electricity and gas consumption by the Office could not be obtained.

Information on electricity consumption has been estimated using the total area leased by the Office (i.e. 5.80%) as a proportion of total kilowatt hours consumed by all the occupants of 11 Moore Street in 2005-06 (i.e. 553,201.50 kilowatt hours). On this basis, the Office's electricity consumption is estimated at approximately 32,085.69 kilowatt hours.

There was no green power energy purchased for the 2005-06 period at 11 Moore Street. Gas consumption data is not available as gas charges are the responsibility of the building owner.

The Office's move to modern accommodation late in 2004-05 has improved energy efficiency. For example, the modern accommodation in Moore Street is well insulated and has energy efficient features such as movement activated lighting systems and the automated heating and cooling systems.

## **CAPITAL WORKS**

### **CAPITAL WORKS INFORMATION**

The Office received a capital injection of \$650 000 as part of *Appropriation Act No. 2 of 2004-05* for the fit-out of its new office accommodation at 11 Moore Street.

**Table 4.7: Reconciliation of Financing Expenditure and the Financial Report**

	<b>Actual</b>	<b>Actual</b>
	<b>2005-06</b>	<b>2004-05</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance at the beginning of the financial year	105	0
Capital injection received	0	650
Amount spent as disclosed in Note 11 to the Office's financial report	67	545
Closing balance at the end of the financial year	38	105

It is estimated that around \$10 000 will be needed to complete this fit out. This includes work for a few items of additional joinery, shelving and pictures for the walls. Any unspent balance will be returned to the ACT Government following the completion of this work.

## **GOVERNMENT CONTRACTING**

### **PROCUREMENT PRINCIPLES AND PROCESSES**

Nearly all of the Office's significant contracts are with financial audit contractors who complement the in-house audit capacity. Procurements associated with the Office's fit-out also occurred during 2005-06.

The selection and management of audit contractors was consistent with the *Government Procurement Act 2001* and subordinate guidelines and circulars guidelines. In particular, prior to market testing and selection of audit contractors, the Office's procurement plans for significant contracts are reviewed and approved by an Approved Procurement Unit (i.e. Procurement Solutions) and the Procurement Board as required by the *Government Procurement (Approved Procurement Units) Guideline 2002*.

Similarly, during the year, the Office's fit-out followed the Government procurement policy and guidelines.

**EXTERNAL SOURCES OF LABOUR AND SERVICES**

Details of the expenses incurred under contracts and of the services supplied are provided below. 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.

***2005-06 External Sources of Labour and Services***

<b>Firm</b>	<b>Date Contract Let</b>	<b>Financial Audits \$ Note 1</b>	<b>Other Services \$ Note 2</b>	<b>Total \$</b>
Deloitte Touche Tohmatsu	10 April 2003	47 800		47 800
KPMG	28 April 2003	183 842		183 842
Duesburys	1 April 1999	7 600		7 600
Fielden Hummer/Ascent	11 April 2003	10 405		10 405
PricewaterhouseCoopers	19 March 2003	404 455		404 455
Ernst & Young	30 April 2003	110 750		110 750
Cumpston Truslove	31 March 2005	13 636		13 636
Procurement Solutions	7 December 2004		2 768	2 768
Sherton Pty Ltd	29 March 2005		3 500	3 500
<b>Total</b>		<b>778 488</b>	<b>6 268</b>	<b>784 756</b>

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

Note 2 – Procurement Solutions provided advice on procurement activities. Sherton Pty Ltd provided advice in relation to the performance audit on courts administration.

**INTEREST PAID ON COMMERCIAL ACCOUNTS**

No interest was paid on ‘commercial accounts’ under Part 4 of the *Government Procurement Act 2001* in 2005-06.

None of the Office’s contracts specifically exclude the operation of Part 4 ‘Interest on Commercial Accounts’ of the *Government Procurement Act 2001*.

**CONTACT INFORMATION**

Details of reports published prior to 2002-2003 can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>.

**CONTACT INFORMATION  
AND  
AVAILABILITY OF REPORTS**

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

**ACT Auditor-General's Office  
Level 4, 11 Moore Street,  
Canberra City, ACT 2601**

**or**

**PO Box 275  
CIVIC SQUARE ACT 2608**

**Phone (02) 62070833 / Fax (02) 62070826**

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**PREVIOUS AUDIT REPORTS**

***Reports Published in 2005-2006***

Report No. 6 / 2006	Vocational Education and Training
Report No. 5 / 2006	Rhodium Asset Solutions Limited
Report No. 4 / 2006	Road Safety
Report No. 3 / 2006	Management of Trust Moneys and Other Non-Public Moneys
Report No. 2 / 2006	Public Housing
Report No. 1 / 2006	Regulation of Charitable Collections and Incorporated Associations
Report No. 7 / 2005	2004-05 Financial Audits
Report No. 6 / 2005	Government Procurement
Report No. 5 / 2005	Annual Management Report for the Year Ended 30 June 2005
Report No. 4 / 2005	Courts Administration
Report No. 3 / 2005	Reporting on Ecologically Sustainable Development

***Reports Published in 2004-2005***

Report No. 2 / 2005	Development Application and Approval Process
Report No. 1 / 2005	Management of Government Grants to the ACT Multicultural Council Inc.
Report No. 10 / 2004	2003-04 Financial Audits
Report No. 9 / 2004	Administration and Monitoring of Youth Service Contracts
Report No. 8 / 2004	Waiting Lists for Elective Surgery and Medical Treatment
Report No. 7 / 2004	Annual Report 2003-2004
Report No. 6 / 2004	Workers' Compensation Supplementation Fund
Report No. 5 / 2004	Leave Management
Report No. 4 / 2004	Data Reliability for Reporting on the ACT 'No Waste by 2010' Strategy
Review Report	Matters Relevant to the Office of the Special Advisor, Council of Australian Governments and Inter-Governmental Relations

***Reports Published in 2003-2004***

Report No. 3 / 2004	Revenue Estimates in Budget Papers 2002-03
Report No. 2 / 2004	Travel Arrangements and Expenses
Report No. 1 / 2004	Administration of Policing Services
Report No. 10 / 2003	Financial Audits with Years Ending to 30 June 2003
Report No. 9 / 2003	Annual Management Report for the Year Ended 30 June 2003

***Reports Published in 2002-2003***

Report No. 8 / 2003	Financial Incentive Package for Fujitsu Australia Ltd (FAL)
Report No. 7 / 2003	Compliance Performance Audit – Recruitment Processes
Report No. 6 / 2003	Allegations of Financial Mismanagement University of Canberra Union
Report No. 5 / 2003	Lease of FAI House
Report No. 4 / 2003	Management of Fraud and Corruption Prevention in the ACT Public Sector
Report No. 3 / 2003	Emergency Services
Report No. 2 / 2003	Belconnen Indoor Aquatic Leisure Centre
Report No. 1 / 2003	Effectiveness of Annual Reporting
Report No. 7 / 2002	Financial Audits with Years Ending to 30 June 2002
Report No. 6 / 2002	Annual Management Report for the Year Ended 30 June 2002
Report No. 5 / 2002	V8 Car Races in Canberra – Costs and Benefits



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