

Opening Statement for 2018-19 Budget Estimates
Friday, 22 June 2018

The ACT Audit Office's priorities for 2018-19 are:

- completing a planned program of performance audits which meets the expectations of the Legislative Assembly and ACT community and achieving an even spread of these audits during the year;
- completing an annual program of audits of financial statements and reviews of statements of performance within required timeframes including completing the summary reports on the results of these audits and reviews;
- completing performance audits and financial audits in accordance with professional auditing requirements and maintaining compliance with the Quality Control Standards;
- responding to representations and public interest disclosures (PIDs) made by members of the Legislative Assembly and the community; and
- addressing any recommendations from internal audit and quality assurance reviews.

These are listed on page 9 of the Budget Statements.

The Audit Office has been allocated additional funding for performance audits for 2019-20, 2020-21 and 2021-22. There is no additional funding for 2018-19. This means that based on past experience, next year seven Performance Audits are likely to be presented for tabling being one less performance audit than the number we are working towards being presented to the Speaker for tabling in 2017-18.

In 2017-18, we used some of our accumulated funds, with the support of the Speaker and Public Accounts Committee, and the approval of the Treasurer, to do an additional Performance Audit with our target for this year being eight.

Forward budget funding means that the planning can commence to deliver:

- 7 performance audits in 2018-19
- 8 in 2019-20
- 9 in 2020-21, and
- 9 in 2021-22.

It is anticipated that the process for developing the Performance Audit Program will be similar to that currently undertaken even though the coverage would have expanded. That is, consultation on topics with key stakeholders including the Standing Committee on Public Accounts and other Members of the Legislative Assembly and then a process of prioritising between the topics identified to come up with a three year program. The Audit Office will continue to use contractors and specialists as required to assist in the delivery of quality Performance Audits in a timely manner.

It is estimated that the Audit Office will incur an operating deficit of \$486 000 in the current financial year (2017-18). This is lower than the budgeted deficit of \$659 000 mainly due to salary cost savings being generated from the departure of financial audit and performance staff partially offset by higher than expected supplies and services costs with performance audit contractors being engaged to replace departing performance audit staff.

The Audit Office planned to go into deficit in 2017-18 to deliver an additional Performance Audit using its accumulated funds. Therefore, the estimated 2017-18 operating deficit of \$486 000 will be covered by the Audit Office's accumulated funds with no additional funding from the ACT Government being required.

The Office estimates essentially break-even operating results consisting of small operating surpluses of \$44 000, \$58 000 and \$118 000 for 2018-19, 2020-21 and 2021-22, and a small deficit of \$7 000 for 2019-20.

The Audit Office's **total revenue budget** for 2018-19 of **\$7.2 million** consists of **financial audit fees** of **\$4.2 million** (i.e. 58 percent of the revenue budget and disclosed in the Budget Papers as 'User Charges') and **appropriation** of **\$3.0 million** (42 percent of the revenue budget and disclosed in the Budget Papers as 'Controlled Recurrent Payments').

The **total revenue budget** is expected to remain fairly stable over the forward years with only significant increases in Controlled Recurrent Payments from 2019-20 relating to appropriation for additional Performance Audits.

The user charges revenue comprising of financial audit fees assumes that the size and complexity of the financial audit program will not change materially and, as a result, financial audit fees are expected to be stable over the forward years.

Other activities funded by appropriation include a range of matters, such as, handling of PIDs and representations, preparation of the three reports on the results of the financial audit program, attending internal audit committees, provision of whole-of-government financial audit and accounting advice, production of the Audit Office's annual report, learning and development programs for staff, and other administrative expenses associated with a professional office such accommodation and information technology costs.

Total expenses of \$7.2 million in 2018-19 is less than the estimated outcome of **\$7.4 million** for 2017-18 as one fewer Performance Audit will be delivered in 2018-19 compared to 2017-18. Similarly the increase in expenses to **\$7.7 million** in 2019-20 and **\$8.1 million** from 2021-22 onwards reflects the previously mentioned additional funding for Performance Audits.

The Audit Office continues to have sufficient assets to meet its liabilities over the budget period, as shown in the Balance Sheet on page 14.

To conclude, I advise that:

Audits in Progress as at 22 June 2018, planned to be presented to the Speaker for tabling by 30 June 2018. If this does not occur they will be presented in 2018-19

Assembly of rural land west of Canberra

Engagement with Aboriginal and Torres Strait Islander students, families and community

Audits in Progress as at 22 June 2018 to be presented to the Speaker for tabling in 2018-19

ACT Health's management of allegations of misconduct and bullying

Referral processes for the support of vulnerable children

Proposed Audits to Commence in 2018-19
ICT strategic planning
Performance information and reporting in ACT Health
Access Canberra
Protection of human rights
Crown lease variations
Shared Services
Total Facilities Management procurement
Chronic disease services
Management and maintenance of school buildings

The forward performance audit program is available on our website: www.audit.act.gov.au