Mr Jeremy Hanson CSC MLA
Speaker
Legislative Assembly of the ACT

Sent via email to: Speaker@parliament.act.gov.au

Dear Mr Speaker

ACT AUDIT OFFICE DRAFT 2026-27 BUDGET

As you are aware, Section 20AB(c) of the *Financial Management Act 1996* requires the Speaker to give the Treasurer a draft 2026-27 Budget for the Auditor-General (ACT Audit Office) following consultation with the relevant Assembly committee.

Attached is the Audit Office's draft 2026-27 Budget and a suggested draft letter from you to the Treasurer.

I would like to draw your attention to the following significant matters that I needed to consider in developing the 2026-27 Budget.

Downward adjustment to Appropriation

I draw your attention to the Audit Office's controlled recurrent payments appropriation, which is forecast to reduce from 2027-28 onwards, representing a loss of $399 000 in funding over the forward 3-year period. The reductions are believed to result from technical adjustments made by Treasury to base appropriation funding and the lower than full application of indexation in prior years.

If appropriation is not increased from the 2026-27 amount in future budgets in line with the wage price indexation, it will significantly compromise the Audit Office's ability to fund the required number of performance audits each year. Treasury has advised that the Audit Office needs to submit a business case for the 2027-28 Budget to correct this reduction in funding for performance audits.

Restructure of Professional Services Branch

Due to significant and increasing workload of Professional Services Branch from new responsibilities, my predecessor engaged a consultant to review the structure and resourcing needs of the branch. This review was finalised late last year and recommended additional four positions be created, three at the Director level in the branch. These new positions will provide better support to the audit branches mainly in the management of the audit toolset CaseWare, compliance with new audit quality requirements from recent changes in quality management standards and deal with the rapid advancements in technology and tools to assist future audits.

The Audit Office will fund one of the four new positions in 2026-27 by increasing financial audit fees and using its cash reserves while we consider if a budget submission is required for the 2027-28 Budget to fill positions recommended in the Professional Services branch establishment by the review.

Please contact Mr David O'Toole (Senior Director, Finance, Risk and Audit Quality) on 6205 3087 or myself if you require further information.

Yours sincerely

Ajay Sharma PSM
ACT Auditor-General
28 May 2026

BUDGET STATEMENTS

2026-27

for

Auditor-General

AUDITOR-GENERAL

Purpose and Strategic Objective

The ACT Auditor-General (Auditor-General) is an independent Officer of the ACT Legislative Assembly. The ACT Audit Office (Audit Office) supports the Auditor-General in carrying out activities in accordance with the *Auditor-General Act 1996 (Act)*.

The Audit Office aims to promote public accountability for the effective and efficient provision of ACT public services by providing independent, evidenced-based audit reports to the ACT Legislative Assembly and ACT community.

The Act provides the Auditor-General with complete discretion in selecting performance audit topics and performing these audits. The Audit Office also completes a program of audits of financial statements and limited assurance engagements of statements of performance each year.

The Auditor-General makes recommendations to ACT Government agencies and ACT Legislative Assembly committees on how improvements could be made to services and programs provided by the ACT public sector and financial management of the Territory.

The Auditor-General also responds to representations and public interest disclosures made by members of the ACT Legislative Assembly and ACT community.

2026-27 Priorities

The main priorities of the Audit Office for 2026-27 include:

- developing a planned program of performance audits and completing audits which meet the expectations of the ACT Legislative Assembly and ACT community;
- completing an annual program of audits of financial statements and limited assurance engagements of statements of performance within required timeframes, including completing a report on the results of these engagements;
- completing audits in accordance with auditing standards, professional ethical standards and maintaining compliance with the audit quality management standards, including addressing any recommendations from quality assurance reviews of audit files;
- responding to representations and public interest disclosures made by members of the ACT Legislative Assembly and ACT community;
- providing advice and briefings to ACT Legislative Assembly committees, including the Standing Committee on Public Accounts and Administration, and Standing Committee on the Integrity Commission and Statutory Office Holders; and
- responding to internal audits and any external strategic review of the office.

Estimated Employment Levels

Table 1: Estimated Employment Levels

	2024-25 Actual Outcome	2025-26 Budget	2025-26 Estimated Outcome	2026-27 Budget[1]
Staffing (FTE)	56	51	51	53

Note(s):

1. The 2026-27 Budget is higher than the 2025-26 estimated outcome mainly due to a staff member anticipated to be employed in a newly created position to meet the requirements of audit quality management standards and anticipating all positions currently under part time arrangements will be filled as 1 FTE.

Changes to Appropriation

Table 2: Changes to appropriation – Controlled Recurrent Payments ($'000)

	2025-26 Estimated Outcome	2026-27 Budget	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
2025-26 Budget	4,334	4,264	4,188	4,144	4,139
2026-27 Budget Technical Adjustments					
Accommodation savings as a result of new Government Office Buildings	0	153	0	0	0
Revised Indexation Parameters	0	122	122	122	87
Revised Superannuation Parameters	0	17	10	3	2
Revised Wage Parameters	0	71	0	0	0
2026-27 Budget	**4,334**	**4,627**	**4,320**	**4,269**	**4,228**

Table 2: Changes to appropriation – Capital Injections, Controlled ($'000)

	2025-26 Estimated Outcome	2026-27 Budget	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
2025-26 Budget	329	0	0	0	0
2026-27 Budget	**329**	**0**	**0**	**0**	**0**

Financial Statements

Table 2: Auditor-General: Operating Statement ($'000)

	2025-26 Budget	2025-26 Estimated Outcome	2026-27 Budget	Var %	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
Income							
Controlled Recurrent Payments	4,334	4,334	4,627	7	4,320	4,269	4,228
Sale of Goods and Services from Contracts with Customers	7,114	7,298	7,773	7	8,403	9,072	9,795
Grants and Contributions Income	59	75	78	4	80	83	85
Interest Revenue	88	110	87	-21	52	35	0
Total Income	**11,595**	**11,817**	**12,565**	**6**	**12,855**	**13,459**	**14,108**
Expenses							
Employee Expenses	8,772	9,072	9,920	9	10,003	10,343	10,675
Supplies and Services	2,830	2,997	3,171	6	3,147	3,230	3,317
Depreciation and Amortisation	17	8	0	-100	0	0	0
Total Expenses	**11,619**	**12,077**	**13,091**	**8**	**13,150**	**13,573**	**13,992**
Operating Result	**-24**	**-260**	**-526**	**-102**	**-295**	**-114**	**116**
Total Comprehensive Result	**-24**	**-260**	**-526**	**-102**	**-295**	**-114**	**116**

Table 3: Auditor-General: Balance Sheet ($'000)

	Budget at 30/6/26	Estimated Outcome at 30/6/26	Budget at 30/6/27	Var %	Estimate at 30/6/28	Estimate at 30/6/29	Estimate at 30/6/30
Current Assets							
Cash and Cash Equivalents	2,416	1,910	1,201	-37	1,058	1,074	1,327
Receivables	3,012	3,063	3,308	8	3,573	3,859	4,167
Other Assets	75	85	88	4	90	93	96
Total Current Assets	**5,503**	**5,058**	**4,597**	**-9**	**4,721**	**5,026**	**5,590**
Non-Current Assets							
Property, Plant and Equipment	47	0	0	-	0	0	0
Total Non-Current Assets	**47**	**0**	**0**	**-**	**0**	**0**	**0**
TOTAL ASSETS	**5,550**	**5,058**	**4,597**	**-9**	**4,721**	**5,026**	**5,590**
Current Liabilities							
Payables	370	226	234	4	241	249	255
Employee Benefits	2,763	2,953	2,981	1	3,363	3,743	4,152
Total Current Liabilities	**3,133**	**3,179**	**3,215**	**1**	**3,604**	**3,992**	**4,407**
Non-Current Liabilities							
Lease Liabilities	64	0	0	-	0	0	0
Employee Benefits	310	279	308	10	338	369	402
Total Non-Current Liabilities	**374**	**279**	**308**	**10**	**338**	**369**	**402**
TOTAL LIABILITIES	**3,507**	**3,458**	**3,523**	**2**	**3,942**	**4,361**	**4,809**
NET ASSETS	**2,043**	**1,600**	**1,074**	**-33**	**779**	**665**	**781**
Equity							
Accumulated Funds	2,043	1,600	1,074	-33	779	665	781
TOTAL EQUITY	**2,043**	**1,600**	**1,074**	**-33**	**779**	**665**	**781**

Table 4: Auditor-General: Statement of Changes in Equity ($'000)

	Budget at 30/6/26	Estimated Outcome at 30/6/26	Budget at 30/6/27	Var %	Estimate at 30/6/28	Estimate at 30/6/29	Estimate at 30/6/30
Opening Equity							
Opening Accumulated Funds	1,738	1,531	1,600	5	1,074	779	665
Balance at the Start of the Reporting Period	**1,738**	**1,531**	**1,600**	**5**	**1,074**	**779**	**665**
Comprehensive Income							
Operating Result	-24	-260	-526	-102	-295	-114	116
Total Comprehensive Result	**-24**	**-260**	**-526**	**-102**	**-295**	**-114**	**116**
Transactions Involving Owners Affecting Accumulated Funds							
Capital Injections	329	329	0	-100	0	0	0
Total Transactions Involving Owners Affecting Accumulated Funds	**329**	**329**	**0**	**-100**	**0**	**0**	**0**
Closing Equity							
Closing Accumulated Funds	2,043	1,600	1,074	-33	779	665	781
Balance at the end of the Reporting Period	**2,043**	**1,600**	**1,074**	**-33**	**779**	**665**	**781**

Table 5: Auditor-General: Cash Flow Statement ($’000)

	2025-26 Budget	2025-26 Estimated Outcome	2026-27 Budget	Var %	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
Controlled Recurrent Payments	4,334	4,334	4,627	7	4,320	4,269	4,228
Sale of Goods and Services from Contracts with Customers	7,096	7,713	7,681	..	8,306	8,952	9,653
Interest Receipts	88	110	87	-21	52	35	0
Goods and Services Tax Collected from Customers	261	261	261	-	261	261	261
Total Receipts from Operating Activities	**11,779**	**12,418**	**12,656**	**2**	**12,939**	**13,517**	**14,142**
Payments							
Employee Payments	8,603	8,833	9,931	12	9,673	10,015	10,316
Supplies and Services	2,846	3,052	3,140	3	3,121	3,194	3,280
Goods and Services Tax Paid to the Australian Taxation Office	98	98	98	-	93	97	98
Goods and Services Tax Paid to Suppliers	164	164	164	-	164	164	164
Total Payments from Operating Activities	**11,711**	**12,147**	**13,333**	**10**	**13,051**	**13,470**	**13,858**
Net Cash Inflows/(Outflows) from Operating Activities	**68**	**271**	**-677**	**-350**	**-112**	**47**	**284**
CASH FLOWS FROM INVESTING ACTIVITIES							
Payments							
Purchase of Property, Plant and Equipment	-80	-144	-28	81	-28	-28	-28
Total Payments from Investing Activities	**-80**	**-144**	**-28**	**81**	**-28**	**-28**	**-28**
Net Cash Inflows/(Outflows) from Investing Activities	**80**	**144**	**28**	**-81**	**28**	**28**	**28**
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Capital Injections	329	329	0	-100	0	0	0
Total Receipts from Financing Activities	**329**	**329**	**0**	**-100**	**0**	**0**	**0**
Payments							
Repayment of Lease Liabilities - Principal	53	118	60	-49	59	59	59
Total Payments from Financing Activities	**53**	**118**	**60**	**-49**	**59**	**59**	**59**

	2025-26 Budget	2025-26 Estimated Outcome	2026-27 Budget	Var %	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
Net Cash Inflows/(Outflows) from Financing Activities	**276**	**211**	**-60**	**-128**	**-59**	**-59**	**-59**
Net Increase/(Decrease) in Cash and Cash Equivalents	**424**	**626**	**-709**	**-213**	**-143**	**16**	**253**
Cash and Cash Equivalents at the Beginning of the Reporting Period	**1,992**	**1,284**	**1,910**	**49**	**1,201**	**1,058**	**1,074**
Cash and Cash Equivalents at the End of the Reporting Period	**2,416**	**1,910**	**1,201**	**-37**	**1,058**	**1,074**	**1,327**

Notes to the Controlled Budget Statements

Significant variations are as follows:

Operating Statement

- Sales of Goods and Services from Contracts with Customers:
    - The 2026-27 Budget is $0.475 million or 6.5 per cent higher than the 2025-26 estimated outcome mainly due to an increase in financial audit fees to recover higher contractor costs, and operating costs resulting from filling a newly created position to meet the requirements of the audit quality management standards.
- Employee Expenses:
    - The 2026-27 Budget is $0.848 million higher than the 2025-26 estimated outcome mainly reflecting an additional staff member employed to the newly created position to meet the requirements of the audit quality management standards, and enterprise agreement pay increases.
- Operating result:
    - The 2025-26 estimated outcome operating deficit is $0.236 million higher than the 2025-26 Budget operating deficit mainly due to additional employee expenses from temporary financial audit staff required to meet the 2024-25 whole of government reporting timetable and a higher leave liability expense associated with the appointment of new Executive staff to existing vacant positions.
    - The 2026-27 Budget operating deficit is $0.266 million higher than the 2025-26 estimated outcome operating deficit mainly due to using office cash reserves to partially fund higher employee expenses resulting from the newly created position to meet the requirements of the audit quality management standards.

Balance Sheet

- Cash and Cash Equivalents:
    - The 2025-26 estimated outcome is $0.506 million lower than the 2025-26 Budget and the 2026-27 Budget is $0.709 million lower than the 2025-26 estimated outcome mainly due to using cash reserves to partially fund higher employee expenses.

Statement of Changes in Equity and Cash Flow Statement

Variations in these statements are consistent with the explanations in the notes provided above.