

## Appendix 1 – Budget versus actual

Material Variances	Budget 2008-09 \$'000	Actual 2008-09 \$'000	Variance \$'000
<b>Income Statement</b>			
User charges	28.442	33.794	5.352
Supplies and services	13.376	19.047	5.671
Operating Surplus/(Deficit)	..	(0.146)	(0.146)
<b>Balance Sheet</b>			
Cash assets	0.406	(0.159)	(0.565)
Receivables	3.844	6.649	2.805
Payables	0.576	1.742	1.166
Employee benefit Obligations	1.964	0.630	(1.334)
Provisions	..	1.000	1.000
Capital /Contributed Equity	2.883	4.183	1.300

### User charges

The increase in user charges was due to increased audit activity. This activity has been increased for contract auditors in relation to the local government amalgamations and the fees generated were offset by increased contractor expenses included in Supplies and services. QAO fee rates were originally budgeted to increase by the CPI but the increase was adjusted to be commensurate with the level of costs incurred by QAO.

### Supplies and services

An increase in supplies and services was principally due to increased audit activity utilisation of contract auditors. This was offset by increased user charges for recovery of the expense. Greater than expected expenses were also incurred in developing and implementing business improvement projects.

### Operating surplus (Deficit)

The deficit occurred mainly as a result of the increased cost of resources utilised to develop and implement various operational/reporting improvements. These improvements will provide management information and strategic data enabling improved executive decisions on the long term direction of the management of audit services and for the provision of an efficient and effective audit service.

### Cash assets

Increased audit activity to accommodate earlier reporting requirement deadlines has increased the carrying balances for work in progress and accounts receivable. The timing of the payment for the services though salaries and contracted work and recovery of costs from clients has contributed to the negative variance.

### Receivables

Increased audit activity in the last quarter to accommodate earlier reporting requirement deadlines, has increased the closing balance for work in progress and accounts Receivable. The timing of recovery of these costs has inflated the balance as at 30 June. Also included is a receivable for annual leave paid in accordance with the Annual Leave Central Scheme.

### Payables

The increase in actual payables was a result of a greater than expected number of accounts from contractors post 30 June for audit work performed prior to 30 June. The timing of the receipt of these accounts inflated the payables and receivables by an equivalent amount.

### Employee Benefit Obligations

The employee benefit obligation budget calculation included QAO's annual leave liability. The decrease represents the transfer of the annual leave liability to the Annual Leave Central Scheme. This scheme was established on 30 June 2008 to centrally fund annual leave obligations.

### Provisions

At 30 June 2008 a provision was created to provide for the make good of leased accommodation at expiration of the lease in March 2010.

### Capital/ Contributed Equity

During 2008-09 QAO requested an unbudgeted capital injection of \$1.0 million to assist with the management of working capital following the initial payment to the Annual Leave Central Scheme. The budgeted equity withdrawal of \$0.9 million was also not required and this together with the \$0.23 million surplus from 2007-08 has resulted in the variance.