Aboriginal Housing Office

AUDIT OPINION

The audit of the Aboriginal Housing Office's (AHO) financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Total Asset Management Plan

Last year I reviewed the AHO's compliance with certain aspects of The Treasury's Total Asset Management Program (TAM) and my findings were reported to management. In response, the AHO developed a process to ensure compliance with the TAM. The AHO will implement its compliance process.

Tax Ruling

Last year I reported that the AHO submitted two separate requests to the Australian Taxation Office (ATO) for private rulings in relation to Goods and Services Tax treatment. The AHO received ATO rulings in August 2009 and is still considering the rulings to determine if a liability exists. The ATO has given the AHO until 31 October 2010 to respond to the rulings.

PERFORMANCE INFORMATION

The AHO has developed targets as a measure of its performance including:

Management of Housing Stock

Actual expenditure on all repairs and maintenance has trended upward over the last few years.

Year ended 30 June	Target	Actual			
	2010	2010	2009	2008	2007
AHO dwellings planned repairs and maintenance ($m)	***14.0***	***12.8***	9.2	7.9	4.3
Management of repairs and maintenance budget (community dwellings) ($m)	***13.5***	***16.2***	11.1	5.5	6.9
Average cost per dwelling upgraded/repaired:					
- AHO dwellings ($)	***42,296***	***38,671***	47,917	29,306	36,402
- Aboriginal community dwellings ($)	***3,048***	***3,658***	6,839	5,971	10,633

Source: Aboriginal Housing Office (unaudited).

The AHO's planned maintenance program for its housing stock, is designed to minimise its repairs and maintenance liability. The program ranges from relatively minor works for newer dwellings to large works for older dwellings.

Expenditure on the Aboriginal community property repairs and maintenance program was $2.7 million more than budget ($600,000 more than budget in 2008-09). This program is generally limited to small value works required to either improve or maintain health and safety needs.

The major difference in the average cost per dwelling to upgrade/repair AHO dwellings and Aboriginal community dwellings is that the AHO fully funds its own dwellings and only partly funds the Aboriginal community dwellings.

Tenant and Property Management

Net rental income has trended downwards over the last three years because of increased repairs and maintenance costs on properties.

Year ended 30 June	Target	Actual			
	2010	2010	2009	2008	2007
Rental income (net of property expenses) ($m)	***2.5***	***5.0***	5.3	5.8	3.8
Rental income arrears (%)	***7.8****	***7.3****	8.5*	7.2*	7.5*

Source: Aboriginal Housing Office (unaudited).
* Percentage of gross rental income.

The AHO manages a property portfolio with a value of $956 million ($909 million) with gross annual rental income of $35.6 million ($28.1 million). Rental income arrears decreased in 2010 following increased management attention.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 $'000	2009 $'000
Grants and contributions	***67,879***	42,628
Rental income	***35,581***	28,058
Other	***19,563***	12,417
TOTAL REVENUE	***123,023***	83,103
Depreciation	***6,584***	6,963
Personnel expenses	***7,564***	7,958
Housing program	***41,884***	34,571
Property expenses	***30,604***	22,798
Other	***4,401***	4,648
TOTAL EXPENSES	***91,037***	76,938
SURPLUS	***31,986***	6,165
OTHER COMPREHENSIVE INCOME		
Gain on revaluation of property, plant and equipment	***11,908***	4,880
TOTAL OTHER COMPREHENSIVE INCOME	***11,908***	4,880
TOTAL COMPREHENSIVE INCOME	***43,894***	11,045

Grants and Contributions increased largely due to $22.5 million from the Australian Government's Remote Indigenous Housing National Partnership (RIHNP) project.

The AHO's housing program incurred the following expenditure:

Year ended 30 June	2010 $'000	2009 $'000
Community asset acquisition of dwellings – Aboriginal communities program	***535***	2,769
AHO dwelling planned repairs and maintenance	***12,656***	9,069
Community dwelling repairs and maintenance	***15,772***	10,721
Aboriginal Community Development Program	***4,592***	6,921
Other	***8,329***	5,091
	41,884	34,571
Employee related expenses	***1,528***	1,123
Total	***43,412***	35,694

Management advised the increase in housing related expenditure was made possible due largely to $1.2 million of funding for the new RIHNP project and the energy savings program.

Abridged Statement of Financial Position

At 30 June	2010 $'000	2009 $'000
Current assets	***41,585***	44,555
Non-current assets	***974,955***	925,347
TOTAL ASSETS	***1,016,540***	969,902
Current liabilities	***21,941***	20,120
Non-current liabilities	***4,124***	3,201
TOTAL LIABILITIES	***26,065***	23,321
NET ASSETS	***990,475***	946,581

Non-current assets increased due to asset acquisitions of $30.8 million, $17.6 million of asset transfers free of liability from Housing NSW and Aboriginal community housing providers and a $11.9 million revaluation of existing properties.

OTHER INFORMATION

The 'Public Sector Employment and Management (Department Amalgamations) Order 2009' transferred the staff performing the functions for the AHO to the New South Wales Department of Human Services. The Order abolished the Aboriginal Housing Office Group of Staff, effective 1 July 2009.

AHO'S ACTIVITIES

The AHO's principal functions are to plan, develop, deliver and evaluate programs and services to assist Aboriginal and Torres Strait Islander peoples within New South Wales to meet their housing needs. Other functions relate to registering and funding Aboriginal community housing providers; the power to enter into agreements with registered Aboriginal community housing providers; and the management of property owned by the AHO.

The AHO was constituted by the *Aboriginal Housing Act 1998*. It is subject to the control and direction of the Minister for Housing.

For further information on the AHO, refer to www.aho.nsw.gov.au.