

ACT AUDITOR-GENERAL'S REPORT
2015-16 FINANCIAL AUDITS – AUDIT REPORTS
REPORT NO. 10 / 2016

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ACT Audit Office

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

The Auditor-General is an Officer of the ACT Legislative Assembly.

ACT Audit 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.

ACT Audit Office acts independently of the Government, and reports the results of the audits directly to the ACT Legislative Assembly.

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The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Madam Speaker

I am pleased to forward to you an audit report titled '2015-16 Financial Audits – Audit Reports' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Dr Maxine Cooper
Auditor-General
7 December 2016

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SUMMARY

Reports on financial statements and statements of performance provided by the ACT Audit Office (Audit Office) inform the ACT Legislative Assembly and community members on whether audited agencies have presented a true and fair view of their financial results and operating performance.

This report contains a summary of the:

- results of the audits of financial statements and reviews of statements of performance completed by the Audit Office in 2015-16; and
- Audit Office's assessment of the overall quality and timeliness of reporting by ACT Government agencies.

This is the first of three reports on 2015-16 financial audits which are planned to be provided to the Speaker in 2016-17. The next two reports are 'Financial Results and Audit Findings' and 'Computer Information Systems'.

Each year, the Audit Office provides independent:

- audit reports on financial statements prepared by ACT Government directorates, authorities and companies, and other entities in which the ACT Government has a financial interest. (These various entities are referred to as 'reporting agencies' in this report); and
- reports of factual findings on statements of performance prepared by ACT Government directorates and authorities.

Audit reports on financial statements

Financial statements are a summary of transactions undertaken by reporting agencies. These transactions are summarised from the accounting records maintained by the reporting agencies to present the financial information in a meaningful way.

Financial statements show a reporting agency's financial performance (revenue, expenses and surpluses/deficits and cash flows) and financial position (assets, liabilities and net assets/liabilities). The financial position shows the capacity of a reporting agency to meet its financial obligations (liabilities).

Reporting agencies are required to prepare financial statements in accordance with reporting and disclosure requirements (Australian Accounting Standards) set by the Australian Accounting Standards Board.

Audit reports are issued on a reporting agency's financial statements after the completion of an audit.

Reports of factual findings

Statements of performance show the results of a reporting agency's accountability indicators (performance measures) and related performance targets. This facilitates an assessment of the reporting agency's performance in providing public services by enabling the actual performance to be compared to planned (targeted) levels of performance. Statements of performance also include explanations for material variances between actual and planned performance for each accountability indicator.

Accountability indicators are set by the reporting agency during the budget process and provide information on the number, quality and timeliness of services provided.

Reports of factual findings are issued on a reporting agency's statement of performance after the Audit Office has completed a review of the reported results. These reports inform the ACT Legislative Assembly and community members as to whether the Audit Office has identified any matters which indicate that the reported results of these accountability indicators have not been accurately reported.

'Not fairly presented'

Where the Auditor-General concludes that the financial statements or statement of performance are not fairly presented, the Auditor-General's reasons for this conclusion and, where possible, the correct information will be disclosed in the audit report on the financial statements or report of factual findings on the statement of performance.

In practice, very few audit reports or reports of factual findings are qualified as reporting agencies usually agree to amend their financial statements or statements of performance before the audit report or report of factual findings is issued.

Where required, the financial statements and audit reports, and statements of performance and reports of factual findings, are included in the annual reports of reporting agencies.

Key terms and rating criteria

This report contains terms which the reader may not be familiar with. These are discussed below.

Types of opinion

Audit reports on financial statements

An audit report with an unqualified (positive) audit opinion is issued where the Auditor-General concludes that the financial statements provide a fair representation of a reporting agency's financial performance and position in accordance with the relevant reporting and disclosure requirements.

An audit report with a qualified (negative) audit opinion is issued where the Audit Office:

- disagrees with management about the financial statements. This includes disagreements in relation to the reported amounts or other disclosures; or
- has been unable to gain sufficient evidence, or perform sufficient work, to form an opinion in relation to the information (amounts and disclosures) reported in the financial statements.

An example of an unqualified (positive) audit opinion included in an audit report is presented below:

Unqualified audit opinion

In my opinion, the financial statements of the [reporting agency] for the year ended [reporting date]:

- (i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the [reporting agency] at [reporting date] and the results of its operations and cash flows for the year then ended.

Few qualified (negative) audit opinions are issued because reporting agencies agree to amend their financial statements before the audit is completed.

Reports of factual findings on statements of performance

An unqualified (positive) report of factual findings is issued where no matters have come to the Audit Office's attention which indicate that the results of the accountability indicators reported in the statement of performance are not fairly presented.

An example of an unqualified (positive) review opinion included in a report of factual findings is presented below:

Unqualified review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the [reporting agency] for the year ended [reporting date], are not fairly presented in accordance with the *Financial Management Act 1996*.

A qualified (negative) report of factual findings will be issued where a reported result of an accountability indicator is not accurate, has not been measured, or cannot be independently verified.

Materiality

Material information is information that affects decisions made by readers of the financial statements or statements of performance. In assessing whether information included in financial statements or statements of performance is fairly presented, the Audit Office assesses whether any misstatements (whether caused by error or fraud) are material.

Where misstatements are identified but their combined effect is not material, the Auditor-General is required to provide an unqualified (positive) audit report or unqualified (positive) report of factual findings.

The Audit Office focuses on information in financial statements and statements of performance that is of higher risk of material misstatement to provide readers with assurance that they are free of material misstatements.

Rating criteria for quality of financial statements and statements of performance

This report includes an overall assessment of the quality of the financial statements and statements of performance submitted by reporting agencies to the Audit Office for examination.

The following criteria were used to assess the quality of financial statements and statements of performance. The assessment of each financial statements and statement of performance is undertaken collectively by the Director, Financial Audits and other senior members of the financial audit team.

Rating	Criteria
Good	Statements were prepared to a high standard requiring no or minimal changes to reported amounts or disclosures.
Satisfactory	Statements were well prepared but required a few changes to reported amounts or disclosures.
Unsatisfactory	Statements were not well prepared requiring several changes to reported amounts or disclosures.
Poor	Statements were not well prepared requiring many changes to reported amounts or disclosures.

Conclusions

RESULTS OF THE FINANCIAL AUDIT PROGRAM

No qualified (negative) audit reports were issued on financial statements and no qualified (negative) reports of factual findings were issued on statements of performance during the 2015-16 financial audit program.

The Audit Office reported that:

- all audited financial statements materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies; and
- no matters were identified which indicated that the results of the accountability indicators reported in statements of performance were not fairly presented.

QUALITY AND TIMELINESS OF REPORTING

The overall quality of financial statements and statements of performance submitted to the Audit Office by reporting agencies during the 2015-16 financial audit program remained high.

Compliance by reporting agencies with the whole-of-government reporting timetable for providing their financial statements and statements of performance to the Audit Office was high. In the few cases where the timetable was not complied with, the financial statements and statements of performance were submitted shortly after the due date.

Summary

RESULTS OF THE FINANCIAL AUDIT PROGRAM

Paragraph

No qualified (negative) audit reports were issued in 2015-16 or in 2014-15.	2.13
The Auditor-General concluded that all 59 financial statements audited in 2015-16 materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.	2.14
No qualified (negative) reports of factual findings were issued in 2015-16 (one in 2014-15). No matters were identified from the Audit Office's reviews of statements of performance in 2015-16 which indicated that reported results were materially incorrect or unable to be independently verified.	2.18
In 2014-15, the report of factual findings on the statement of performance of the former Economic Development Directorate for the period from 1 July 2014 to 6 July 2014 was qualified because targets for accountability indicators were not	2.19

established and reported against as required by Section 30(2) of the *Financial Management Act 1996*. This issue did not occur in 2015-16 as the Economic Development Directorate ceased operations under changed administrative arrangements.

QUALITY AND TIMELINESS OF REPORTING

Paragraph

The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2015-16.

3.6

The percentage of reporting agencies that complied with the whole-of-government reporting timetable for providing their financial statements to the Audit Office for audit decreased from 92 percent (33 of 36) in 2014-15 to 73 percent (22 of 30¹) in 2015-16.

3.12

This decrease is largely due to 20 percent (six of 30) of the agencies submitting their financial statements to the Audit Office a few days after the due date. Seven percent (two of 30) submitted their financial statements around two weeks after the due date.

3.13

The overall quality of statements of performance submitted to the Audit Office by reporting agencies for review in 2015-16 remained high. The percentage of statements of performance that were rated by the Audit Office as satisfactory or good was 81 percent (21 of 26) in 2015-16 compared to 80 percent (24 of 30) in 2014-15.

3.17

Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high in 2015-16 as 84 percent (21 of 25²) provided their statements of performance to the Audit Office on time. It was 85 percent (22 of 26) in 2014-15.

3.23

In 2015-16, 15 percent (four of 26) of the reporting agencies did not comply with the whole-of-government reporting timetable. 12 percent (three of 26) submitted their statement of performance to the Audit Office within one week after the due date and four percent (one of 26) submitted their statement of performance around three weeks after the due date.

3.24

¹ The number of reporting agencies only includes reporting agencies that were required to comply with the whole-of-government reporting timetable for the year ended 30 June 2016. Other reporting agencies are not subject to the same legislative reporting requirements.

² The number of reporting agencies only includes reporting agencies that were required to comply with the whole-of-government reporting timetable for the year ended 30 June 2016.

1 AUDIT REPORTS AND REPORTS OF FACTUAL FINDINGS

- 1.1 The following table contains a list of the audit reports and reports of factual findings issued by the Audit Office in 2015-16.
- 1.2 The types of audit reports and reports of factual findings are explained in 'Key Terms and Rating Criteria' on pages 2 to 4.

Audit reports and reports of factual findings

	Audit reports	Reports of factual findings
Territory		
Territory's Consolidated Annual Financial Statements	Unqualified	Not applicable
Directorates		
ACT Electoral Commission	Unqualified	Not applicable
ACT Executive	Unqualified	Not applicable
ACT Local Hospital Network Directorate	Unqualified	Unqualified
ACTION	Unqualified	Unqualified
Capital Metro Agency	Unqualified	Unqualified
Chief Minister, Treasury and Economic Development Directorate	Unqualified	Unqualified
Community Services Directorate	Unqualified	Unqualified
Education Directorate	Unqualified	Unqualified
Environment and Planning Directorate	Unqualified	Unqualified
Health Directorate	Unqualified	Unqualified
Housing ACT	Unqualified	Unqualified
Justice and Community Safety Directorate	Unqualified	Unqualified
Lifetime Care and Support Fund	Unqualified	Unqualified
Office of the Legislative Assembly	Unqualified	Not applicable
Superannuation Provision Account	Unqualified	Unqualified
Territory and Municipal Services Directorate	Unqualified	Unqualified
Territory Banking Account	Unqualified	Unqualified
Authorities		
ACT Building and Construction Industry Training Fund Authority	Unqualified	Unqualified
ACT Compulsory Third-Party Insurance Regulator	Unqualified	Unqualified
ACT Gambling and Racing Commission	Unqualified	Unqualified

	Audit reports	Reports of factual findings
Authorities - continued		
ACT Insurance Authority	Unqualified	Unqualified
ACT Long Service Leave Authority	Unqualified	Unqualified
ACT Public Cemeteries Authority	Unqualified	Unqualified
Canberra Institute of Technology	Unqualified	Unqualified
Cultural Facilities Corporation	Unqualified	Unqualified
Independent Competition and Regulatory Commission	Unqualified	Unqualified
Land Development Agency	Unqualified	Unqualified
Legal Aid Commission (ACT)	Unqualified	Unqualified
Public Trustee and Guardian	Unqualified	Unqualified
University of Canberra	Unqualified	Not applicable
Territory-owned corporations and other companies		
CIT Solutions Pty Limited	Unqualified	Not applicable
Community Housing Canberra Limited	Unqualified	Not applicable
Icon Distribution Investments Limited	Unqualified	Not applicable
Icon Retail Investments Limited	Unqualified	Not applicable
Icon Water Limited	Unqualified	Not applicable
UCU Ltd	Unqualified	Not applicable
Joint ventures and partnerships		
ActewAGL Distribution Partnership	Unqualified	Not applicable
ActewAGL Joint Venture Special Purpose Financial Report	Unqualified	Not applicable
ActewAGL Joint Venture Summary Financial Report	Unqualified	Not applicable
ActewAGL Retail Partnership	Unqualified	Not applicable
Crace Joint Venture	Unqualified	Not applicable
Other audits		
Canberra Business Development Fund	Unqualified	Not applicable
Capital Region Community Foundation Gift Fund	Unqualified	Not applicable
Capital Region Community Foundation Open Fund	Unqualified	Not applicable
Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i> - Expenditure statement	Unqualified	Not applicable
Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i> - Revenue statement	Unqualified	Not applicable
Commonwealth Funding under the <i>Nation Building Program (National Land Transport) Act 2014</i> – Black Spot Projects	Unqualified	Not applicable

	Audit reports	Reports of factual findings
Other audits - continued		
Commonwealth Funding under the <i>Nation Building Program (National Land Transport) Act 2014</i> – National Projects (including Building Australia Fund - Majura Parkway) June 2016	Unqualified	Not applicable
Commonwealth Funding under the <i>Nation Building Program (National Land Transport) Act 2014</i> – Roads to Recovery 30 June 2016	Unqualified	Not applicable
Default Insurance Fund	Unqualified	Not applicable
Gungahlin Cemetery Perpetual Care Trust	Unqualified	Not applicable
Hall Cemetery Perpetual Care Trust	Unqualified	Not applicable
National Health Funding Pool Account for the ACT	Unqualified	Not applicable
Office of the Nominal Defendant of the ACT	Unqualified	Not applicable
Public Trustee and Guardian - Trust Account	Unqualified	Not applicable
University of Canberra Research Income Return	Unqualified	Not applicable
Woden Cemetery Perpetual Care Trust	Unqualified	Not applicable
Woden Mausoleum Perpetual Care Trust	Unqualified	Not applicable

Compliance audit

Public Trustee and Guardian - Compliance with the Public Ancillary Fund Guidelines 2011	Unqualified	Not applicable
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2 RESULTS OF THE FINANCIAL AUDIT PROGRAM

- 2.1 This chapter provides the results of the 2015-16 financial audit program. It contains a summary of the types of audit reports issued on financial statements and reports of factual findings issued on statements of performance.
- 2.2 The 2015-16 financial audit program consisted of the audits of 59 financial statements and reviews of 26 statements of performance. One compliance audit was also completed. The results of these audits (financial statements) and reviews (statements of performance) are detailed on pages 7 to 9.

Financial statements

- 2.3 Under the *Financial Management Act 1996*, the Audit Office is required to audit the financial statements of the Territory and ACT Government directorates and authorities. Audits of other financial statements are performed under other legislation or reporting requirements, such as the *Corporations Act 2001*, joint venture agreements, trust deeds and Commonwealth Government funding agreements.
- 2.4 The Audit Office audits the financial statements so that the Auditor-General can provide an independent opinion on whether the financial statements provide a fair representation of the financial performance and position of the reporting agency in accordance with the relevant reporting and disclosure requirements.

Statements of performance

- 2.5 Under the *Financial Management Act 1996*, the Audit Office reviews statements of performance of ACT Government directorates and authorities.
- 2.6 The Audit Office reviews statements of performance and reports on whether any matters have come to the attention of the Audit Office which indicate that the results of the accountability indicators are not fairly presented.
- 2.7 The Audit Office's review of accountability indicators is limited to making inquiries with representatives of the reporting agency, performing analytical and other review procedures, and examining other available documentation. Therefore, it provides a lower level of assurance than an audit of financial statements.
- 2.8 The Auditor-General does not provide an opinion on the relevance or usefulness of the accountability indicators as part of the review of the statement of performance because these indicators and their related targets are set by the agency during the annual budget process. Concerns about the relevance or usefulness of the accountability indicators may be reported in audit management reports which are provided to the relevant agency head or governing board and the responsible Minister.

Conclusion

No qualified (negative) audit reports were issued on financial statements and no qualified (negative) reports of factual findings were issued on statements of performance during the 2015-16 financial audit program.

The Audit Office reported that:

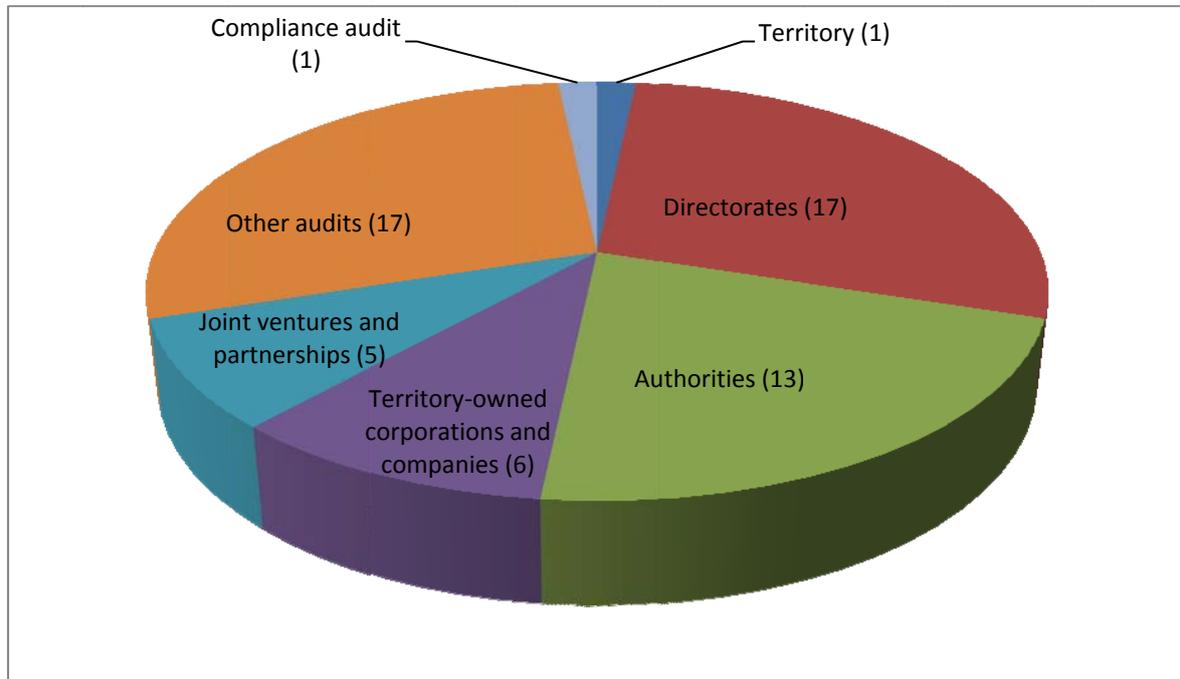
- all audited financial statements materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies; and
- no matters were identified which indicated that the results of the accountability indicators reported in statements of performance were not fairly presented.

Key findings

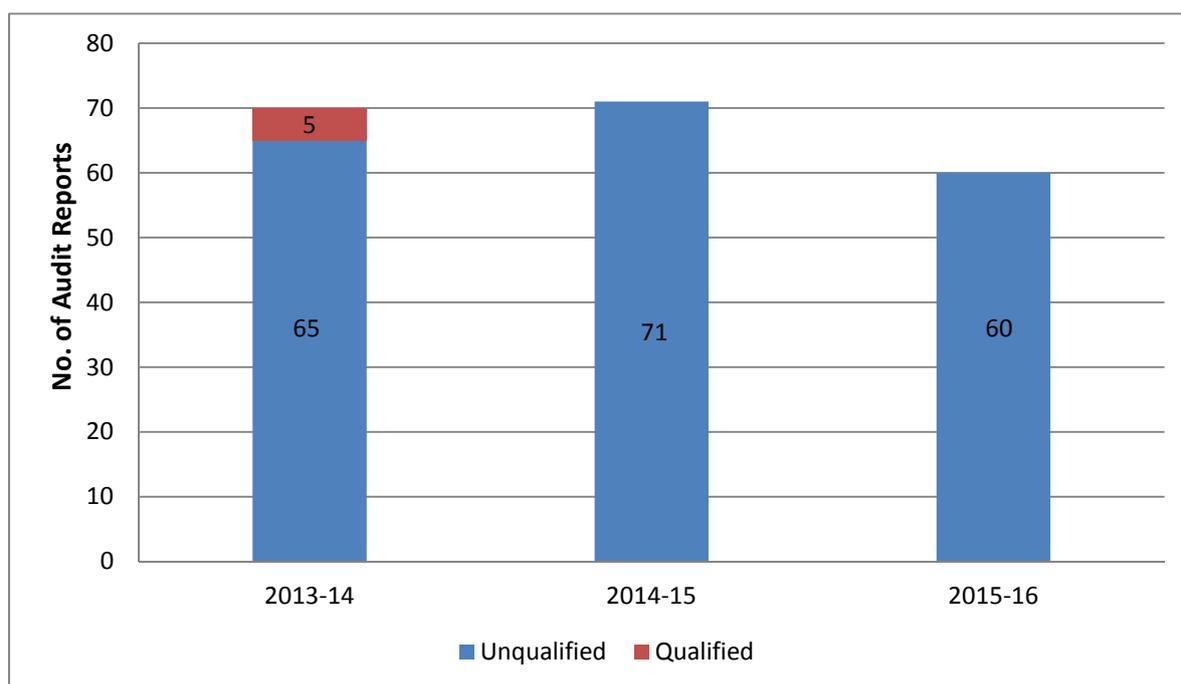
	Paragraph
No qualified (negative) audit reports were issued in 2015-16 or in 2014-15.	2.13
The Auditor-General concluded that all 59 financial statements audited in 2015-16 materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.	2.14
No qualified (negative) reports of factual findings were issued in 2015-16 (one in 2014-15). No matters were identified from the Audit Office's reviews of statements of performance in 2015-16 which indicated that reported results were materially incorrect or unable to be independently verified.	2.18
In 2014-15, the report of factual findings on the statement of performance of the former Economic Development Directorate for the period from 1 July 2014 to 6 July 2014 was qualified because targets for accountability indicators were not established and reported against as required by Section 30(2) of the <i>Financial Management Act 1996</i> . This issue did not occur in 2015-16 as the Economic Development Directorate ceased operations under changed administrative arrangements.	2.19

Results of the audits of financial statements

Figure 2-1 Number of audit reports



- 2.9 The 2015-16 financial audit program consists of the audit reports and the reports of factual findings issued by the Audit Office in 2015-16.
- 2.10 The Audit Office audited 59 financial statements as part of the 2015-16 financial audit program. The program consisted of the audits of financial statements with reporting periods ending 31 December 2015 and 30 June 2016 for directorates (17), authorities (13), Territory-owned corporations and companies (6), joint ventures and partnerships (5), the Territory (1) and other audits (17). These are listed on pages 7 to 9.
- 2.11 The Audit Office also audited the Public Trustee and Guardian's compliance with the 'Public Ancillary Fund Guidelines 2011' (the Guidelines) issued under the *Taxation Administration Act 1953* for the Capital Region Community Foundation Gift Fund (the Fund). This compliance audit was performed because the Public Trustee and Guardian must comply with the Guidelines for the Fund to retain its status as a 'deductible gift recipient'. This allows donors to claim an income tax deduction for their gifts to the Fund.

Figure 2-2 Number of unqualified and qualified audit reports

2.12 The number of audit reports issued in 2015-16 (60) decreased from the number issued in 2014-15 (71) as several audits were not required. An audit of the financial statements of:

- the Commerce and Works Directorate and Economic Development Directorate for the period from 1 July 2014 to 6 July 2014 was not required in 2015-16 as these directorates ceased operations under changed administrative arrangements;
- the Home Loan Portfolio was no longer required as it ceased being prescribed as a separate reporting entity under the *Financial Management Act 1996*. In 2015-16, its financial results were recorded in the financial statements of the Chief Minister, Treasury and Economic Development Directorate and Territory Banking Account;
- Exhibition Park Corporation for the period from 1 July 2014 to 31 December 2014 was not required after the Corporation was dissolved and its functions transferred to the Chief Minister, Treasury and Economic Development Directorate under changed administrative arrangements;
- ACN 071 257 504 Limited (formerly ACTTAB Limited) was not required after its sale;
- University of Canberra College Pty Limited was not required after the University of Canberra sold 51 percent of its shareholding in the company;
- the Forde Joint Venture and Lyons Estate Redevelopment Joint Venture were no longer required as they were wound up;
- the Nicholls Primary School Joint Facilities was not required in 2015-16;
- the ACT Veterinary Surgeons Board was not required in 2015-16 because the audit is performed triennially. The last audit was performed in 2014-15 and the next audit will be performed in 2017-18; and

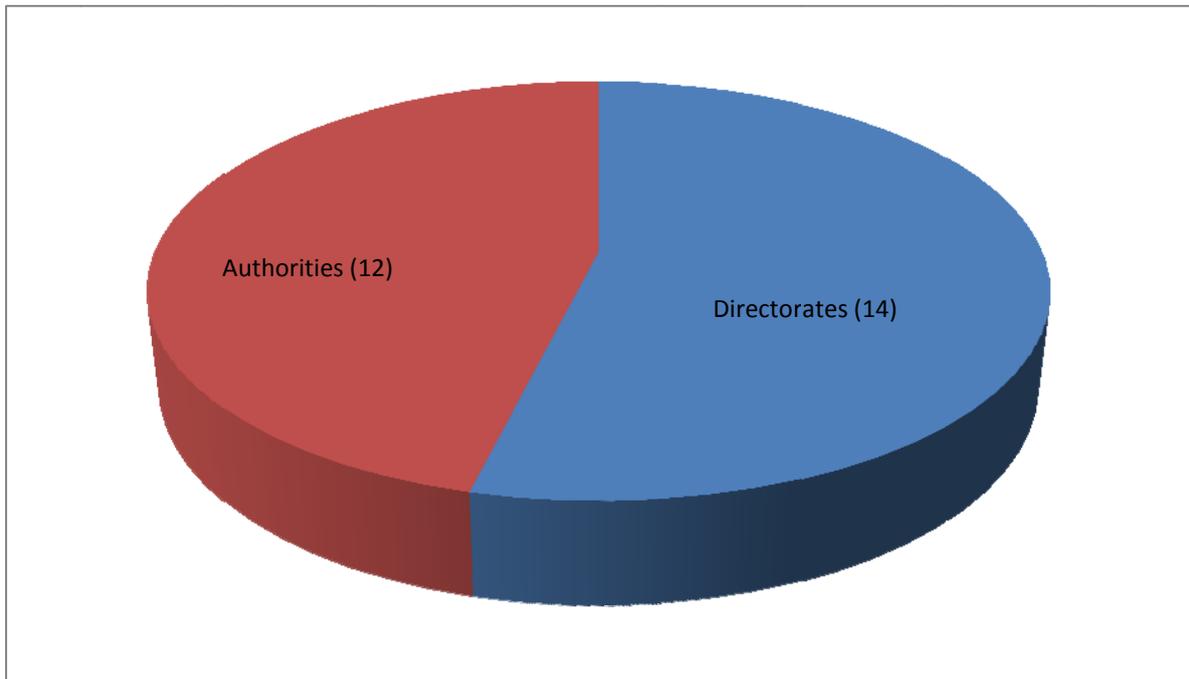
- Commonwealth funding under the Digital Hubs Program was not required as the program was completed.

2.13 No qualified (negative) audit reports were issued in 2015-16 or in 2014-15.

2.14 The Auditor-General concluded that all 59 financial statements audited in 2015-16 materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

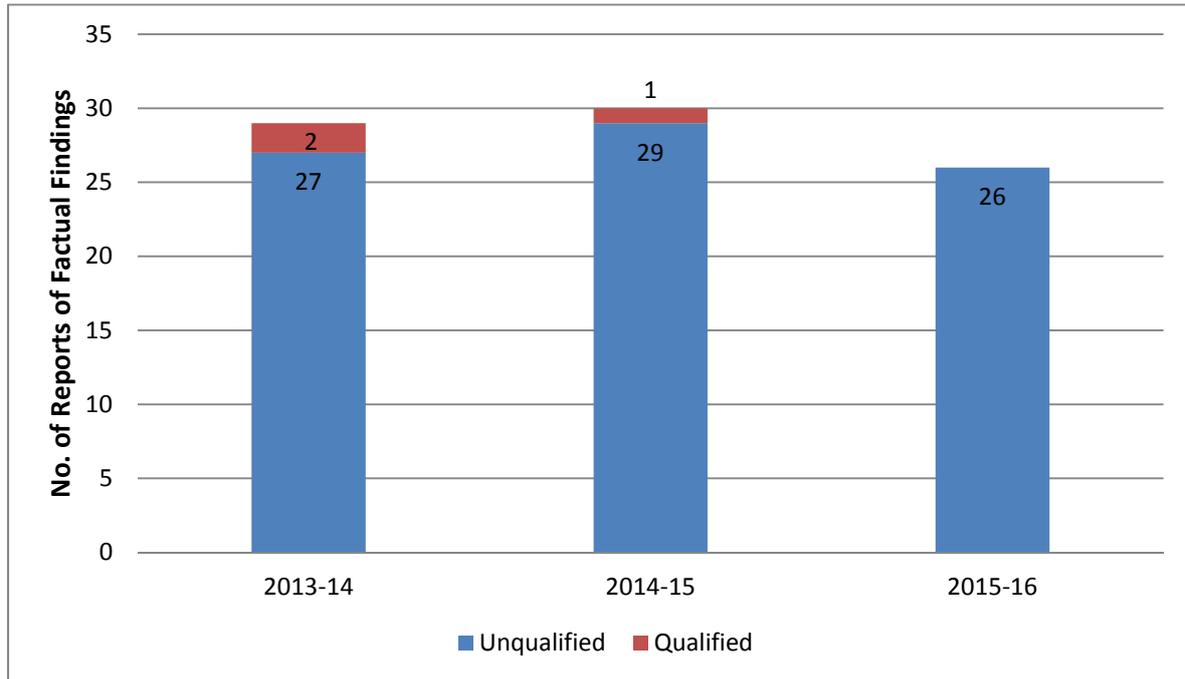
Results of the reviews of statements of performance

Figure 2-3 Number of reports of factual findings



2.15 In 2015-16, the Audit Office reviewed 26 statements of performance of directorates (14) and authorities (12).

Figure 2-4 Number of qualified and unqualified reports of factual findings



2.16 The number of reports of factual findings issued in 2015-16 (26) decreased from the number issued in 2014-15 (30) as a report of factual findings on the statement of performance was not required in 2015-16 for the:

- Commerce and Works Directorate and Economic Development Directorate for the period from 1 July 2014 to 6 July 2014 as these directorates ceased operations under changed administrative arrangements;
- Home Loan Portfolio ceased being prescribed as a separate reporting entity under the *Financial Management Act 1996* in 2015-16; and
- Exhibition Park Corporation for the period from 1 July 2014 to 31 December 2014 as the Corporation was dissolved and its functions transferred to the Chief Minister, Treasury and Economic Development Directorate under changed administrative arrangements.

2.17 A list of the 26 statements of performance reviewed by the Audit Office in 2015-16 is included on pages 7 and 8.

- 2.18 No qualified (negative) reports of factual findings were issued in 2015-16 (one in 2014-15). No matters were identified from the Audit Office's reviews of statements of performance in 2015-16 which indicated that reported results were materially incorrect or unable to be independently verified.
- 2.19 In 2014-15, the report of factual findings on the statement of performance of the former Economic Development Directorate for the period from 1 July 2014 to 6 July 2014 was qualified because targets for accountability indicators were not established and reported against as required by Section 30(2) of the *Financial Management Act 1996*. This issue did not occur in 2015-16 as the Economic Development Directorate ceased operations under changed administrative arrangements.

3 QUALITY AND TIMELINESS OF REPORTING

- 3.1 This chapter includes information on the overall quality and timeliness of financial statements and statements of performance submitted by reporting agencies to the Audit Office.
- 3.2 An assessment of the quality of the financial statements and statements of performance submitted by reporting agencies to the Audit Office is performed to provide an indication of the adequacy of the processes implemented by reporting agencies to prepare their financial statements and statements of performance.
- 3.3 Where the processes implemented by reporting agencies to prepare their financial statements and statements of performance are inadequate, there is a higher risk of:
- material misstatements in the financial statements and statements of performance of reporting agencies. Misstatements may occur because of errors or fraud; and
 - non-compliance with the required reporting deadlines, in particular, the whole-of-government reporting timetable for financial statements and statements of performance³ and annual reporting timeframes⁴.

Conclusion

The overall quality of financial statements and statements of performance submitted to the Audit Office by reporting agencies during the 2015-16 financial audit program remained high.

Compliance by reporting agencies with the whole-of-government reporting timetable for providing their financial statements and statements of performance to the Audit Office was high. In the few cases where the timetable was not complied with, the financial statements and statements of performance were submitted shortly after the due date.

³ Budget Memorandum '2016/13 2015-16 Agency Financial Statements and Consolidated Financial Statements for the Territory'.

⁴ Timeframes contained in the Annual Report Directions issued under the *Annual Reports (Government Agencies) Act 2004*.

Key findings

	Paragraph
The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2015-16.	3.6
The percentage of reporting agencies that complied with the whole-of-government reporting timetable for providing their financial statements to the Audit Office for audit decreased from 92 percent (33 of 36) in 2014-15 to 73 percent (22 of 30 ⁵) in 2015-16.	3.12
This decrease is largely due to 20 percent (six of 30) of the agencies submitting their financial statements to the Audit Office a few days after the due date. Seven percent (two of 30) submitted their financial statements around two weeks after the due date.	3.13
The overall quality of statements of performance submitted to the Audit Office by reporting agencies for review in 2015-16 remained high. The percentage of statements of performance that were rated by the Audit Office as satisfactory or good was 81 percent (21 of 26) in 2015-16 compared to 80 percent (24 of 30) in 2014-15.	3.17
Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high in 2015-16 as 84 percent (21 of 25 ⁶) provided their statements of performance to the Audit Office on time. It was 85 percent (22 of 26) in 2014-15.	3.23
In 2015-16, 15 percent (four of 26) of the reporting agencies did not comply with the whole-of-government reporting timetable. 12 percent (three of 26) submitted their statement of performance to the Audit Office within one week after the due date and four percent (one of 26) submitted their statement of performance around three weeks after the due date.	3.24

⁵ The number of reporting agencies only includes reporting agencies that were required to comply with the whole-of-government reporting timetable for the year ended 30 June 2016. Other reporting agencies are not subject to the same legislative reporting requirements.

⁶ The number of reporting agencies only includes reporting agencies that were required to comply with the whole-of-government reporting timetable for the year ended 30 June 2016.

Financial and performance reporting

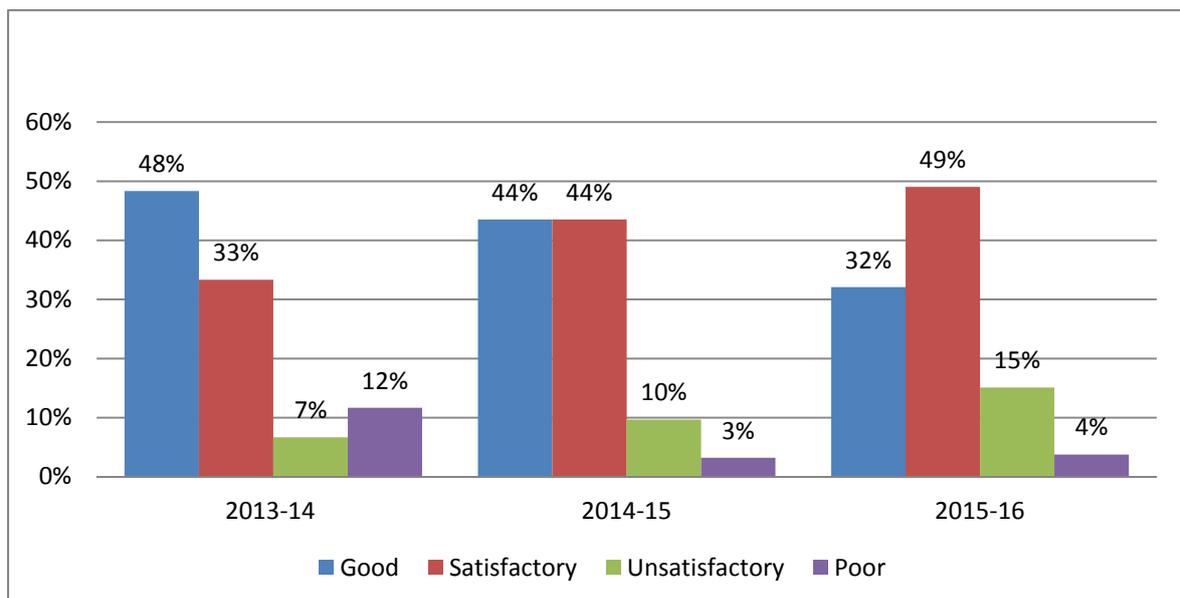
Quality of financial statements

3.4 An unqualified (positive) audit report on a reporting agency's financial statements means that the Auditor-General has concluded the financial statements provide a fair representation of the financial performance and position of the reporting agency in accordance with the relevant reporting and disclosure requirements. However, as financial statements are often corrected during the audit, an unqualified audit report does not mean that the:

- financial statements submitted for audit were satisfactory; or
- processes implemented by reporting agencies to prepare their financial statements are adequate.

3.5 The Audit Office therefore assessed the quality of the financial statements submitted for audit using the rating criteria shown on page 4 to provide an indication of the adequacy of the processes implemented by reporting agencies to prepare their financial statements.

Figure 3-1 Quality of financial statements



3.6 The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2015-16.

- 3.7 In most cases, the Audit Office rated financial statements as unsatisfactory or poor where:
- explanatory information (in particular, explanations for major variances between current year results and budget estimates and current year results and prior year results) was not provided, was incorrect, unclear or not informative; or
 - reported amounts were incorrect.
- 3.8 Very few agencies submitted poor financial statements. The percentage of financial statements that were rated as poor of four percent (two of 53) in 2015-16 was similar to the three percent (two of 62) rated as poor in 2014-15.
- 3.9 Where the financial statements are rated as unsatisfactory or poor, the Audit Office identifies areas for improvement and makes recommendations to improve reporting in audit management reports provided to these reporting agencies.

Timeliness of financial statements

- 3.10 Each year, the Chief Minister, Treasury and Economic Development Directorate issues a whole-of-government reporting timetable. Reporting agencies are required to comply with this timetable to ensure that the:
- financial statements of the Territory are prepared and audited within the timeframe required by the *Financial Management Act 1996*. Compliance with this timetable was particularly important in the 2015-16 election year because the audit of the financial statements of the Territory is required to be completed earlier in an election year; and
 - annual reports, containing the audited financial statements and audit reports, are completed in accordance with the timeframes contained in the Annual Report Directions issued under the *Annual Reports (Government Agencies) Act 2004*.
- 3.11 The 2015-16 timetable⁷ includes the dates by which reporting agencies were to submit their financial statements to the Audit Office.
- 3.12 The percentage of reporting agencies that complied with the whole-of-government reporting timetable for providing their financial statements to the Audit Office for audit decreased from 92 percent (33 of 36) in 2014-15 to 73 percent (22 of 30⁸) in 2015-16.
- 3.13 This decrease is largely due to 20 percent (six of 30) of the agencies submitting their financial statements to the Audit Office a few days after the due date. Seven percent (two of 30) submitted their financial statements around two weeks after the due date.

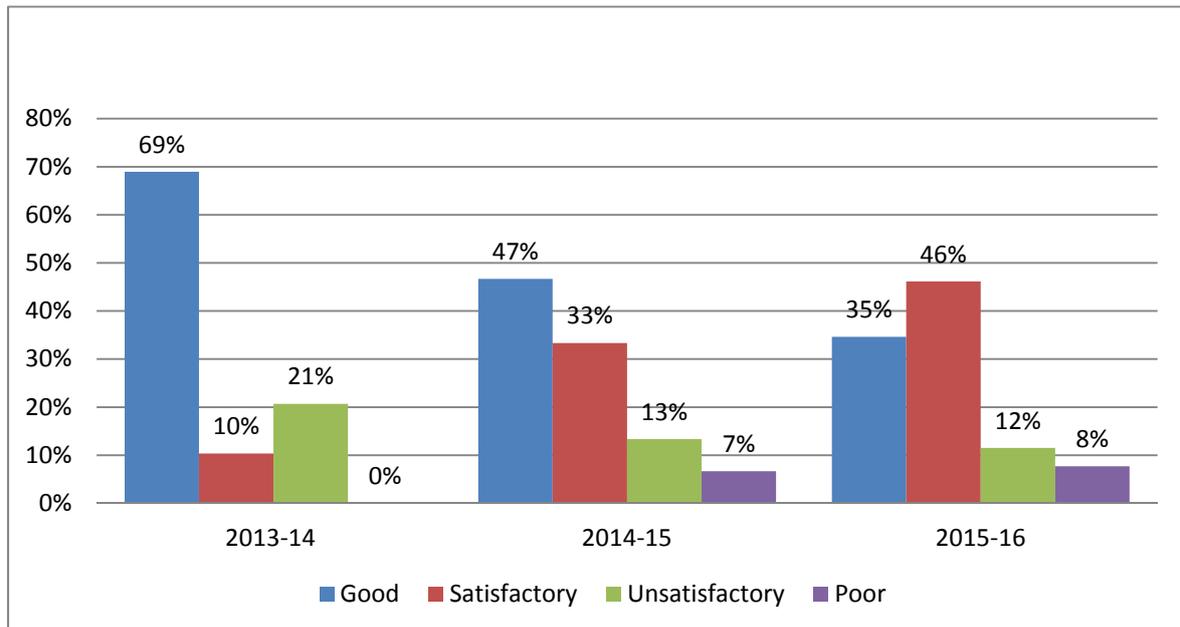
⁷ Budget Memorandum '2016/13 2015-16 Agency Financial Statements and Consolidated Financial Statements for the Territory'.

⁸ The number of reporting agencies only includes reporting agencies that were required to comply with the whole-of-government reporting timetable for the year ended 30 June 2016. Other reporting agencies are not subject to the same legislative reporting requirements.

Quality of statements of performance

- 3.14 Under the *Financial Management Act 1996*, nearly all ACT Government directorates and authorities must prepare statements of performance. Statements of performance are required to present the reporting agency's performance against the targets for accountability indicators disclosed in the Budget Papers (directorates) or Statements of Intent (authorities).
- 3.15 The Auditor-General issues an unqualified (positive) report of factual findings when no matters have been identified from the review of results for accountability indicators reported in the statement of performance that indicate these results are not fairly presented (i.e. the results are materially incorrect or misleading), a result has not been measured, or a result cannot be independently verified. However, as the statements of performance are often corrected before the report of factual findings is issued, an unqualified (positive) report of factual findings does not mean that the:
- statements of performance submitted for review were satisfactory; or
 - processes implemented by reporting agencies to prepare their statements of performance are adequate.
- 3.16 To provide an indication of reporting agencies' processes for preparing their statements of performance, the Audit Office assessed the quality of the statements of performance submitted by reporting agencies for review using the rating criteria on page 4.

Figure 3-2 Quality of statements of performance



3.17 The overall quality of statements of performance submitted to the Audit Office by reporting agencies for review in 2015-16 remained high. The percentage of statements of performance that were rated by the Audit Office as satisfactory or good was 81 percent (21 of 26) in 2015-16 compared to 80 percent (24 of 30) in 2014-15.

3.18 While the overall quality of statements of performance in 2015-16 was similar to 2014-15, the percentage of statements of performance that were rated as good decreased from 47 percent (14 of 30) in 2014-15 to 35 percent (9 of 26) in 2015-16 as several statements of performance that were rated as good in 2014-15 were rated as satisfactory in 2015-16.

3.19 The percentage of statements of performance that were rated as poor of eight percent (two of 26) in 2015-16 was similar to the percentage rated as poor in 2014-15 of seven percent (two of 30).

3.20 In most cases, statements of performance were rated as unsatisfactory or poor where explanatory information included in the statement of performance was inadequate. This tended to occur where explanations of the:

- accountability indicators and how they were measured were not provided or were unclear; or
- major variances between actual results and planned levels of performance (targets) were not provided, incorrect, unclear or not informative.

3.21 Where statements of performance are rated as unsatisfactory or poor, the Audit Office identifies areas for improvement and makes recommendations to improve reporting in audit management reports provided to the relevant reporting agencies.

Timeliness of statements of performance

- 3.22 The whole-of-government reporting timetable referred to in paragraph 3.10 on page 22 also includes the date by which reporting agencies were required to submit their statement of performance to the Audit Office for review.
- 3.23 Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high in 2015-16 as 84 percent (21 of 25⁹) provided their statements of performance to the Audit Office on time. It was 85 percent (22 of 26) in 2014-15.
- 3.24 In 2015-16, 15 percent (four of 26) of the reporting agencies did not comply with the whole-of-government reporting timetable. 12 percent (three of 26) submitted their statement of performance to the Audit Office within one week after the due date and four percent (one of 26) submitted their statement of performance around three weeks after the due date.

⁹ The number of reporting agencies only includes reporting agencies that were required to comply with the whole-of-government reporting timetable for the year ended 30 June 2016.

Audit reports

Reports Published in 2016-17	
Report No. 09 – 2016	Commissioner for International Engagement – Position Creation and Appointment Process
Report No. 08 – 2016	Annual Report 2015-16
Report No. 07 – 2016	Certain Land Development Agency Acquisitions
Reports Published in 2015-16	
Report No. 06 – 2016	Management and Administration of Credit Cards by ACT Government Entities
Report No. 05 – 2016	Initiation of the Light Rail Project
Report No. 04 – 2016	The Management of the Financial Arrangements for the Delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme
Report No. 03 – 2016	ACT Policing Arrangement
Report No. 02 – 2016	Maintenance of Public Housing
Report No. 01 – 2016	Calvary Public Hospital Financial and Performance Reporting and Management
Report No. 10 – 2015	2014-15 Financial Audits
Report No. 09 – 2015	Public Transport: The Frequent Network
Report No. 08 – 2015	Annual Report 2014-15
Reports Published in 2014-15	
Report No. 07 – 2015	Sale of ACTTAB
Report No. 06 – 2015	Bulk Water Alliance
Report No. 05 – 2015	Integrity of Data in the Health Directorate
Report No. 04 – 2015	ACT Government Support to the University of Canberra for Affordable Student Accommodation
Report No. 03 – 2015	Restoration of the Lower Cotter Catchment
Report No. 02 – 2015	The Rehabilitation of Male Detainees at the Alexander Maconochie Centre
Report No. 01 – 2015	Debt Management
Report No. 07 – 2014	2013-14 Financial Audits
Report No. 06 – 2014	Annual Report 2013-14
Reports Published in 2013-14	
Report No. 05 – 2014	Capital Works Reporting
Report No. 04 – 2014	Gastroenterology & Hepatology Unit, Canberra Hospital
Report No. 03 – 2014	Single Dwelling Development Assessments
Report No. 02 – 2014	The Water and Sewerage Pricing Process
Report No. 01 – 2014	Speed Cameras in the ACT
Report No. 08 – 2013	Management of Funding for Community Services
Report No. 07 – 2013	2012-13 Financial Audits
Report No. 06 – 2013	ACT Auditor-General's Office Annual Report 2012-13
Report No. 05 – 2013	Bushfire Preparedness

These and earlier reports can be obtained from the ACT Auditor-General's website at <http://www.audit.act.gov.au>.