

**ACT AUDITOR–GENERAL’S REPORT**

**2018-19 FINANCIAL AUDITS  
OVERVIEW**

REPORT NO. 9 / 2019

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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.

The ACT Audit Office undertakes audits on financial statements of Government agencies, and the Territory's 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.

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

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The support of Axiom Associates Pty Ltd, Cumpston Sarjeant Pty Limited, PricewaterhouseCoopers (PwC) and RSM Australia Pty Ltd is appreciated.

Produced for the ACT Audit Office by Publishing Services,  
Chief Minister, Treasury and Economic Development Directorate,  
ACT Government

Publication No. 19/1514

ACT Government Homepage address is: <http://www.act.gov.au>

PA 19/18

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 '2018-19 Financial Audits – Overview' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Michael Harris  
Auditor-General  
29 November 2019



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# SUMMARY

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The ACT Audit Office (Audit Office) provides auditor's reports on financial statements and limited assurance reports on statements of performance to inform the ACT Legislative Assembly and the community on whether ACT Government directorates, authorities, companies and other entities (reporting agencies) have presented a true and fair view of their financial results and operating performance.

This report provides an overview of the results of the Audit Office's 2018-19 financial audits, consisting of audits of 58 financial statements, limited assurance engagements on 28 statements of performance and one compliance audit with reporting periods ending 31 December 2018 and 30 June 2019.

The report also provides the Audit Office's assessment of the overall quality and timeliness of reporting by reporting agencies and the accuracy of the financial and performance information included in reporting agencies' annual reports.

This is the first of the three reports on 2018-19 financial audits and will be followed by reports titled 'Financial Results and Audit Findings' and 'Computer Information Systems'.

Terms the reader may not be familiar with, such as the types of opinions issued on financial statements and statements of performance, are explained in *Appendix A: Key Terms and Rating Criteria*.

## Conclusions

### RESULTS OF FINANCIAL STATEMENTS AUDITS

No modified auditor's reports were issued in 2018-19. All 58 financial statements audited in 2018-19 materially complied with the relevant accounting and financial reporting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit remained high with 96 percent of financial statements prepared by reporting agencies rated as good or satisfactory.

Almost all agencies provided their financial statements to the Audit Office in accordance with the whole-of-government reporting timetable. Two agencies provided their financial statements within four days after the due date.

## RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

No modified limited assurance reports were issued in 2018-19. No matters were identified from the Audit Office’s limited assurance engagements for reporting agencies’ statements of performance to indicate that reported results of accountability indicators were materially incorrect or unable to be independently verified.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office for review improved in 2018-19. The percentage of statements of performance rated as good or satisfactory in 2018-19 increased to 96 percent from 89 percent in 2017-18.

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 as most agencies complied with the timetable.

## ANNUAL REPORTS

Most reporting agencies included accurate and complete versions of their financial statements with the auditor’s report, and statement of performance with the limited assurance report, in their annual report. The two reporting agencies with inaccuracies subsequently issued corrections to their annual report.

## Key findings

### RESULTS OF FINANCIAL STATEMENTS AUDITS

### Paragraph

No modified auditor’s reports were issued in 2018-19 or 2017-18.	2.9
All 58 financial statements audited in 2018-19 materially complied with the relevant accounting and financial reporting requirements and presented a true and fair view of their financial performance and position.	2.10
An unmodified compliance auditor’s report was issued on the Public Trustee and Guardian’s compliance with the <i>Public Ancillary Fund Guidelines 2011</i> for the Capital Region Community Foundation Gift Fund.	2.11
The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2018-19 with 96 percent (50 of 52) of the financial statements submitted for audit assessed as either good or satisfactory, slightly lower than the 100 percent (49 of 49) in 2017-18.	2.15
The percentage of reporting agencies that complied with the whole-of-government reporting timetable for providing their financial statements to the Audit Office decreased slightly from 100 percent in 2017-18 (28 of 28) to 93 percent (28 of 30) in 2018-19.	2.21

## RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

### Paragraph

No modified limited assurance reports were issued in 2018-19 or 2017-18. No matters were identified during the Audit Office's limited assurance engagements on reporting agencies' statements of performance which indicated that reported results of accountability indicators were materially incorrect or unable to be independently verified.

3.9

However, the limited assurance report issued on the statement of performance of the Suburban Land Agency included an emphasis of matter because the reporting agency did not measure results for two accountability indicators as required by the *Financial Management Act 1996*.

3.10

The overall quality of statements of performance submitted to the Audit Office by reporting agencies improved in 2018-19. The percentage of statements of performance rated as good or satisfactory in 2018-19 increased to 96 percent (27 of 28) from 89 percent (23 of 26) in 2017-18.

3.13

Reporting agencies' compliance with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office improved from 88 percent (22 of 25) of reporting agencies in 2017-18 to 93 percent (25 of 27) of reporting agencies in 2018-19.

3.18

## ANNUAL REPORTS

Almost all reporting agencies complied with the requirements of the Annual Reports Directions issued under the *Annual Reports (Government Agencies) Act 2004* to place a copy of their annual report on the relevant website on the day it was tabled in the ACT Legislative Assembly.

4.6

All but two reporting agencies included complete and accurate versions of their audited financial statements with the auditor's report, and the statement of performance with the limited assurance report, in their annual reports.

4.8



# 1 AUDIT REPORTS

- 1.1 The Audit Office issued 87 audit reports in 2018-19. These comprised 58 auditor's reports on financial statements, 28 limited assurance reports on statements of performance and 1 compliance audit report. Table 1-1 lists these reports.
- 1.2 The types of opinions issued on financial statements and statements of performance are explained in *Appendix A: Key Terms and Rating Criteria*.

**Table 1-1 Auditor's reports and limited assurance reports**

	<b>Auditor's Reports</b>	<b>Limited Assurance Reports</b>
<b>Territory</b>		
Territory's Consolidated Annual Financial Statements	Unmodified	Not applicable
<b>Directorates</b>		
ACT Electoral Commission	Unmodified	Not applicable
ACT Executive	Unmodified	Not applicable
ACT Health Directorate	Unmodified	Unmodified
ACT Local Hospital Network Directorate	Unmodified	Unmodified
ACTION	Unmodified	Unmodified
Canberra Health Services	Unmodified	Unmodified
Chief Minister, Treasury and Economic Development Directorate	Unmodified	Unmodified
Community Services Directorate	Unmodified	Unmodified
Education Directorate	Unmodified	Unmodified
Environment, Planning and Sustainable Development Directorate	Unmodified	Unmodified
Housing ACT	Unmodified	Unmodified
Justice and Community Safety Directorate	Unmodified	Unmodified
Lifetime Care and Support Fund	Unmodified	Unmodified
Office of the Legislative Assembly	Unmodified	Not applicable
Public Sector Workers Compensation Fund	Unmodified	Unmodified
Superannuation Provision Account	Unmodified	Unmodified
Transport Canberra and City Services Directorate	Unmodified	Unmodified
Territory Banking Account	Unmodified	Unmodified
<b>Authorities</b>		
ACT Building and Construction Industry Training Fund Authority	Unmodified	Unmodified
ACT Gambling and Racing Commission	Unmodified	Unmodified
ACT Insurance Authority	Unmodified	Unmodified
ACT Public Cemeteries Authority	Unmodified	Unmodified

	<b>Auditor's Reports</b>	<b>Limited Assurance Reports</b>
<b>Authorities - continued</b>		
Canberra Institute of Technology	Unmodified	Unmodified
City Renewal Authority	Unmodified	Unmodified
Cultural Facilities Corporation	Unmodified	Unmodified
Independent Competition and Regulatory Commission	Unmodified	Unmodified
Legal Aid Commission (ACT)	Unmodified	Unmodified
Long Service Leave Authority	Unmodified	Unmodified
Public Trustee and Guardian	Unmodified	Unmodified
Suburban Land Agency	Unmodified	Unmodified
University of Canberra	Unmodified	Not applicable
<b>Territory-owned corporations and other companies</b>		
CIT Solutions Pty Limited	Unmodified	Not applicable
Community Housing Canberra Limited	Unmodified	Not applicable
Icon Distribution Investments Limited	Unmodified	Not applicable
Icon Retail Investments Limited	Unmodified	Not applicable
Icon Water Limited	Unmodified	Not applicable
UCU Ltd	Unmodified	Not applicable
<b>Joint ventures and partnerships</b>		
ActewAGL Distribution Partnership	Unmodified	Not applicable
ActewAGL Joint Venture Special Purpose Financial Report	Unmodified	Not applicable
ActewAGL Joint Venture Summary Financial Report	Unmodified	Not applicable
ActewAGL Retail Partnership	Unmodified	Not applicable
West Belconnen Joint Venture	Unmodified	Not applicable
<b>Other audits</b>		
Canberra Business Development Fund (30 June 2018)	Unmodified	Not applicable
Capital Region Community Foundation Gift Fund	Unmodified	Not applicable
Capital Region Community Foundation Open Fund	Unmodified	Not applicable
Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i> - Expenditure statement	Unmodified	Not applicable
Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i> - Revenue statement	Unmodified	Not applicable
Commonwealth Funding under the <i>National Land Transport Act 2014</i> - Black Spot Projects	Unmodified	Not applicable
Commonwealth Funding under the <i>National Land Transport Act 2014</i> - National Projects	Unmodified	Not applicable

	<b>Auditor's Reports</b>	<b>Limited Assurance Reports</b>
<b>Other audits - continued</b>		
Commonwealth Funding under the <i>National Land Transport Act 2014</i> - Roads to Recovery	Unmodified	Not applicable
Default Insurance Fund	Unmodified	Not applicable
Gungahlin Cemetery, Woden Cemetery, Woden Mausoleum, and Hall Cemetery Perpetual Care Trusts	Unmodified	Not applicable
National Health Funding Pool Account for the ACT-	Unmodified	Not applicable
Office of the Nominal Defendant of the ACT	Unmodified	Not applicable
Public Trustee and Guardian - Trust Account	Unmodified	Not applicable
University of Canberra Research Income Return	Unmodified	Not applicable
<b>Compliance audit</b>		
Public Trustee and Guardian - Compliance with the <i>Public Ancillary Fund Guidelines 2011</i>	Unmodified	Not applicable



## 2 RESULTS OF FINANCIAL STATEMENTS AUDITS

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### Introduction

- 2.1 The Auditor-General is required by the *Financial Management Act 1996* to provide an auditor's report on the financial statements of the Territory, ACT Government directorates and authorities.
- 2.2 Audits of other ACT government related reporting agencies are also performed under other legislation or reporting requirements, such as the *Corporations Act 2001*, the *Australian Charities and Not-for-profits Commission Act 2012*, joint venture agreements, trust deeds and Commonwealth Government funding agreements.
- 2.3 The Auditor-General provides an independent auditor's report which includes an opinion on whether the financial statements of the reporting agency provide a fair representation of its financial performance and position in accordance with the relevant reporting and disclosure requirements, including Australian Accounting Standards.
- 2.4 An unmodified auditor's report is provided where the Auditor-General has concluded that 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.
- 2.5 The Audit Office assesses the quality and timeliness of the financial statements prepared by reporting agencies to provide an overall picture of the effectiveness of the reporting arrangements implemented by these agencies to meet the whole-of-government reporting timetable.

### Overall findings

No modified auditor's reports were issued in 2018-19. All 58 financial statements audited in 2018-19 materially complied with the relevant accounting and financial reporting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit remained high with 96 percent of financial statements prepared by reporting agencies rated as good or satisfactory.

Almost all agencies provided their financial statements to the Audit Office in accordance with the whole-of-government reporting timetable. Two agencies provided their financial statements within four days after the due date.

## Key findings

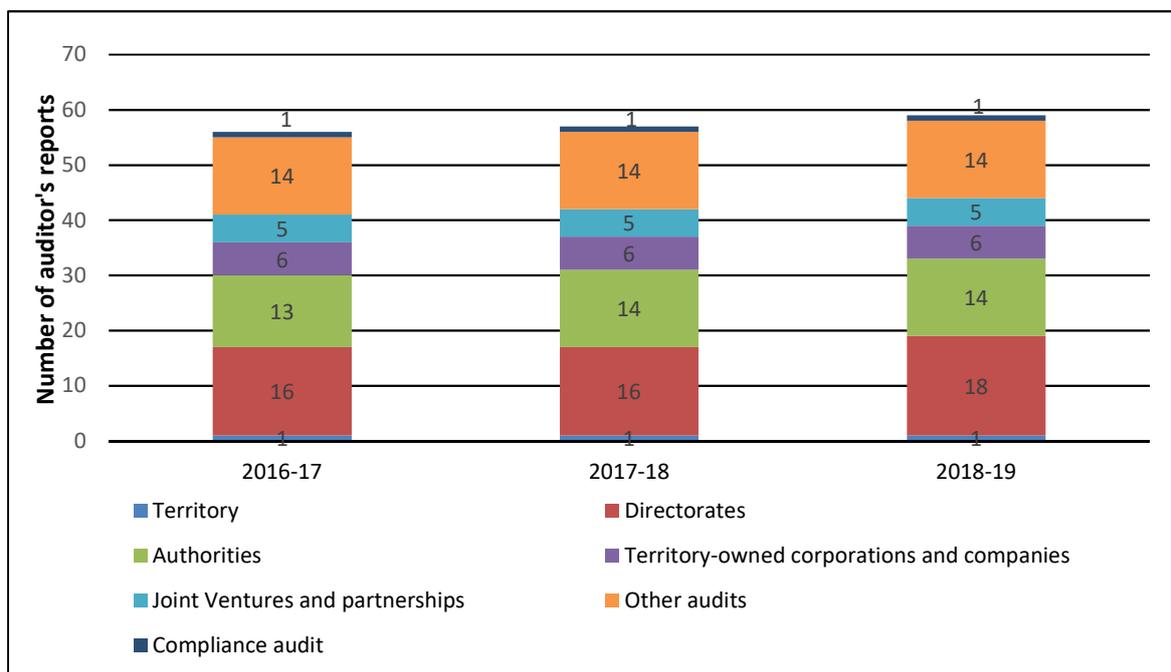
	Paragraph
No modified auditor's reports were issued in 2018-19 or 2017-18.	2.9
All 58 financial statements audited in 2018-19 materially complied with the relevant accounting and financial reporting requirements and presented a true and fair view of their financial performance and position.	2.10
An unmodified compliance auditor's report was issued on the Public Trustee and Guardian's compliance with the <i>Public Ancillary Fund Guidelines 2011</i> for the Capital Region Community Foundation Gift Fund.	2.11
The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2018-19 with 96 percent (50 of 52 <sup>1</sup> ) of the financial statements submitted for audit assessed as either good or satisfactory, slightly lower than the 100 percent (49 of 49) in 2017-18.	2.15
The percentage of reporting agencies that complied with the whole-of-government reporting timetable for providing their financial statements to the Audit Office decreased slightly from 100 percent in 2017-18 (28 of 28) to 93 percent (28 of 30 <sup>2</sup> ) in 2018-19.	2.21

<sup>1</sup> The quality of six of the 58 reporting agencies' financial statements is not assessed as these agencies only acquit the spending of funding received from the Commonwealth Government.

<sup>2</sup> 30 of 58 reporting agencies are required to comply with the whole-of-government reporting timetable.

## Audit reports

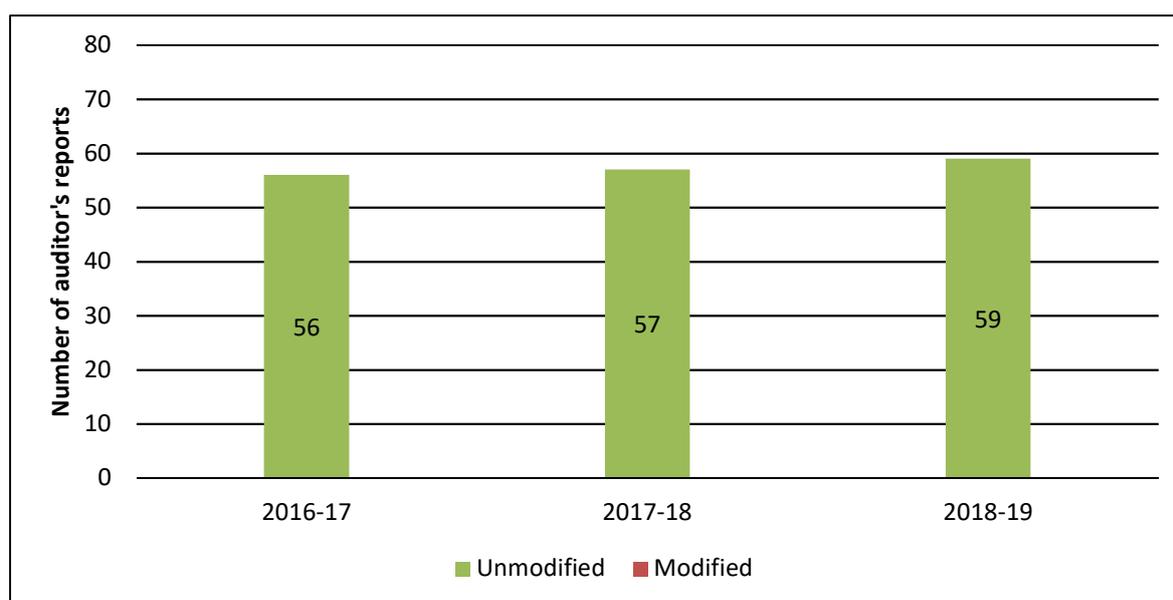
Figure 2-1 Number of auditor's reports



- 2.6 The Audit Office completed audits of 58 financial statements in 2018-19 with reporting periods ending 31 December 2018 and 30 June 2019. These audits included 18 directorates, 14 authorities, 6 Territory-owned corporations and companies, 5 joint ventures and partnerships, 14 other audits, and the Territory's consolidated annual financial statements. A list of audits is contained in Table 1-1 in Chapter 1.
- 2.7 One compliance audit relating to the Public Trustee and Guardian's compliance with the *Public Ancillary Fund Guidelines 2011* for the Capital Region Community Foundation Gift Fund was also completed.
- 2.8 The Audit Office issued more auditor's reports in 2018-19 (59) compared to 2017-18 (57) because audits were required for the financial statements of the:
- ACT Health Directorate and Canberra Health Services due to the former Health Directorate being separated into these two agencies on 1 October 2018; and
  - Public Sector Workers Compensation Fund which was created on 1 March 2019.

The auditor's report for the Canberra Business Development Fund for the year ended 30 June 2018 was also issued in 2018-19 as it was delayed until the Fund provided all information required to support material balances in its financial statements. The audit of the Fund's 30 June 2019 financial statements has also been delayed for similar reasons.

The additional audits were partially offset by the audit of the ACT Veterinary Surgeons Board not being required in 2018-19 as it is performed triennially.

**Figure 2-2 Number of unmodified and modified auditor's reports**

2.9 No modified auditor's reports were issued in 2018-19 or 2017-18.

2.10 All 58 financial statements audited in 2018-19 materially complied with the relevant accounting and financial reporting requirements and presented a true and fair view of their financial performance and position.

2.11 An unmodified compliance auditor's report was issued on the Public Trustee and Guardian's compliance with the *Public Ancillary Fund Guidelines 2011* for the Capital Region Community Foundation Gift Fund.

## Quality of financial statements

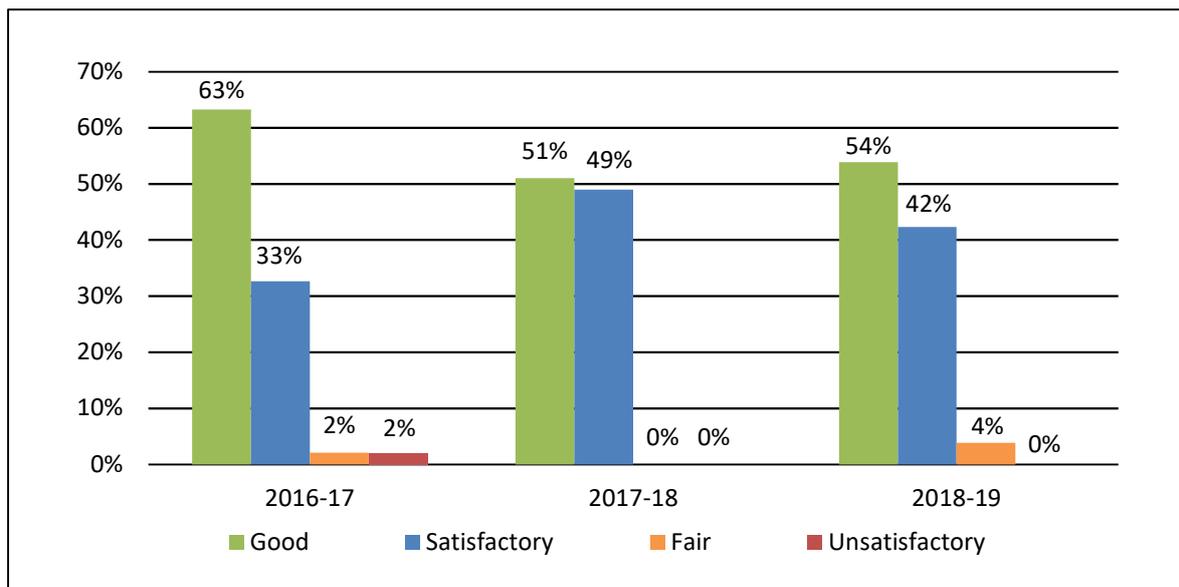
2.12 An unmodified auditor's report may be issued at the end of the audit providing a positive opinion about the reporting results reported in the agency's financial statements. However, as financial statements are often corrected during the audit, an unmodified auditor's report does not mean the:

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

2.13 Therefore, the Audit Office assesses the quality of the financial statements submitted for audit each year to provide an overall indication of the adequacy of the processes implemented by reporting agencies to prepare their financial statements.

2.14 The Audit Office used the rating criteria in *Appendix A: Key Terms and Rating Criteria* to perform this assessment.

Figure 2-3 Quality of financial statements



2.15 The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2018-19 with 96 percent (50 of 52<sup>3</sup>) of the financial statements submitted for audit assessed as either good or satisfactory, slightly lower than the 100 percent (49 of 49) in 2017-18.

2.16 In 2018-19, the financial statements of 28 reporting agencies (54 percent) rated as good were typically those with no errors identified in reported results and only minor editorial changes needed to disclosures. The financial statements of 22 reporting agencies (42 percent) rated as satisfactory typically contained a few errors in reported results or needed improvements to disclosures.

2.17 Two reporting agencies' financial statements were rated as fair as they were of a borderline quality, containing several errors in reported amounts and improvements were needed to bring disclosures up to an acceptable standard.

2.18 No financial statements were rated as unsatisfactory in 2018-19 or 2017-18.

The Audit Office will typically rate financial statements as unsatisfactory where there are many errors in reported amounts and disclosures. The Audit Office will also make recommendations to improve reporting for these agencies in their audit management report that is provided to the agency head or governing board, internal audit committee and the responsible Minister.

<sup>3</sup> The quality of six of the 58 reporting agencies' financial statements is not assessed as these agencies only acquit the spending of funding received from the Commonwealth Government.

## Timeliness of financial statements

- 2.19 Each year the Chief Minister, Treasury and Economic Development Directorate issues a whole-of-government reporting timetable for reporting agencies that prepare financial statements under the *Financial Management Act 1996* with a reporting period ending 30 June. The 2018-19 reporting timetable included the dates by which reporting agencies are required to submit their financial statements to the Audit Office.
- 2.20 Reporting agencies are required to comply with this timetable to allow the:
- financial statements of the Territory to be prepared and audited within the timeframe required by the *Financial Management Act 1996*; and
  - annual reports, containing the audited financial statements and auditor's reports, to be completed in accordance with the timeframes contained in the Annual Reports Directions issued by the Chief Minister, Treasury and Economic Development Directorate under the *Annual Reports (Government Agencies) Act 2004*.
- 2.21 The percentage of reporting agencies that complied with the whole-of-government reporting timetable for providing their financial statements to the Audit Office decreased slightly from 100 percent in 2017-18 (28 of 28) to 93 percent (28 of 30<sup>4</sup>) in 2018-19.
- 2.22 The two reporting agencies that did not comply with the whole-of-government reporting timetable provided their financial statements to the Audit Office within four days of the due date.

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<sup>4</sup> 30 of 58 reporting agencies are required to comply with the whole-of-government reporting timetable.

## 3 RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

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### Introduction

- 3.1 Statements of performance are prepared by ACT Government directorates and authorities. 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).
- 3.2 The Audit Office is required by the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019* to provide a limited assurance report on agencies' statements of performance.
- 3.3 Prior to 2018-19, the reports provided by the Audit Office on reporting agencies' statements of performance were titled 'reports of factual findings'. The change in title to limited assurance report was to better align it to the work performed by the Audit Office under the Standard on Assurance Engagements ASAE 3000: 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. This change does not change the level of assurance or the work performed by the Audit Office on reporting agencies' statements of performance.
- 3.4 The limited assurance report provides an independent conclusion on whether any matters have come to the attention of the Audit Office that indicate the results of the accountability indicators are not fairly presented.
- 3.5 The work performed in the limited assurance engagement provides a lower level of assurance than an audit of financial statements. The work performed by the Audit Office on the results 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.
- 3.6 The Audit Office does not conclude on the relevance or usefulness of the accountability indicators as part of its limited assurance engagements. The accountability indicators and their related targets are set by reporting agencies during the annual budget process. However, any concerns about the relevance or usefulness of a reporting agency's accountability indicators identified during the review are reported in an audit management report to the agency head or governing board, internal audit committee and the responsible Minister.

## Overall findings

No modified limited assurance reports were issued in 2018-19. No matters were identified from the Audit Office's limited assurance engagements for reporting agencies' statements of performance to indicate that reported results of accountability indicators were materially incorrect or unable to be independently verified.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office for review improved in 2018-19. The percentage of statements of performance rated as good or satisfactory in 2018-19 increased to 96 percent from 89 percent in 2017-18.

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 as most agencies complied with the timetable.

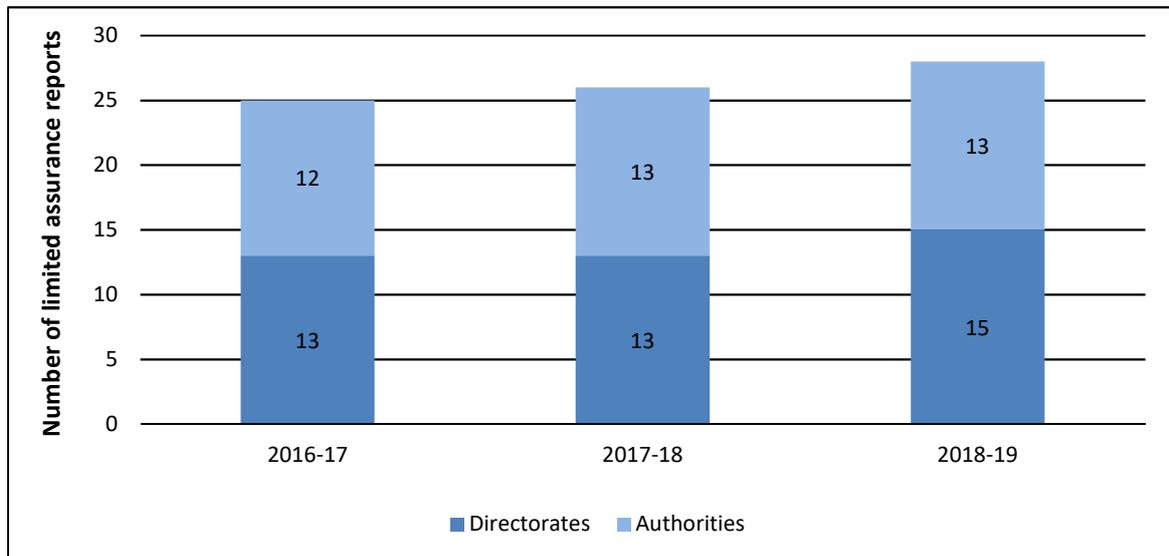
## Key findings

	Paragraph
No modified limited assurance reports were issued in 2018-19 or 2017-18. No matters were identified during the Audit Office's limited assurance engagements on reporting agencies' statements of performance which indicated that reported results of accountability indicators were materially incorrect or unable to be independently verified.	3.9
However, the limited assurance report issued on the statement of performance of the Suburban Land Agency included an emphasis of matter because the reporting agency did not measure results for two accountability indicators as required by the <i>Financial Management Act 1996</i> .	3.10
The overall quality of statements of performance submitted to the Audit Office by reporting agencies improved in 2018-19. The percentage of statements of performance rated as good or satisfactory in 2018-19 increased to 96 percent (27 of 28) from 89 percent (23 of 26) in 2017-18.	3.13
Reporting agencies' compliance with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office improved from 88 percent (22 of 25) of reporting agencies in 2017-18 to 93 percent (25 of 27 <sup>5</sup> ) of reporting agencies in 2018-19.	3.18

<sup>5</sup> One of 28 reporting agencies is not required to comply with the whole-of-government reporting timetable as it prepared its statement of performance at 31 December 2018.

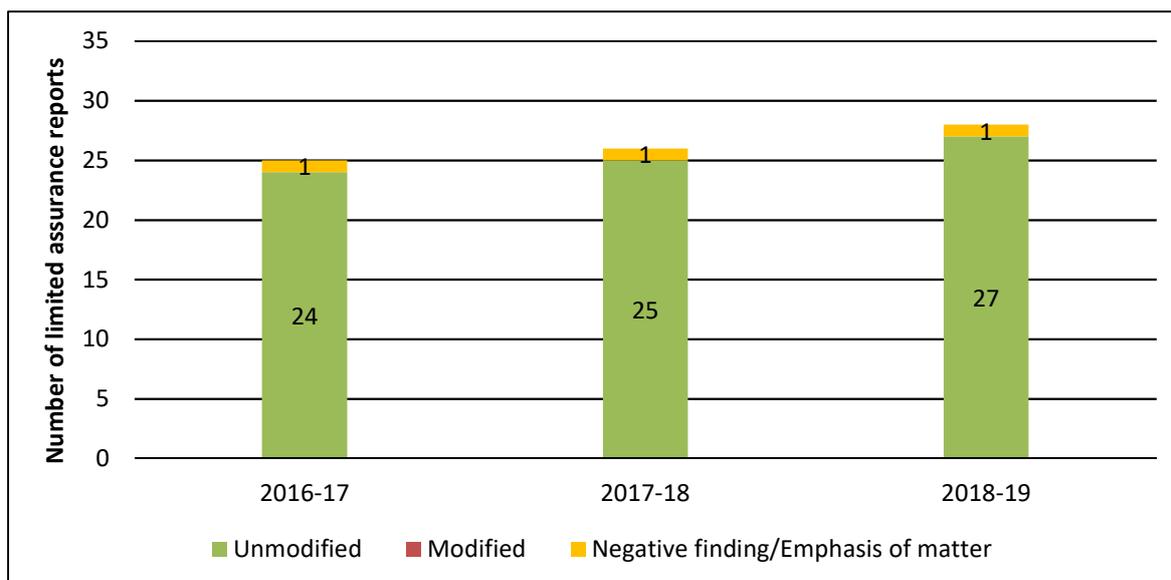
## Limited assurance reports

Figure 3-1 Number of limited assurance reports



- 3.7 The Audit Office completed limited assurance engagements on 28 statements of performance for 15 directorates and 13 authorities in 2018-19. These reporting agencies are listed in Table 1-1 in Chapter 1.
- 3.8 The number of limited assurance reports issued in 2018-19 (28) was higher than the number issued in 2017-18 (26). This was due to limited assurance reports being required for the statements of performance of the:
- ACT Health Directorate and Canberra Health Services due to the former Health Directorate being separated into these two agencies on 1 October 2018; and
  - Public Sector Workers Compensation Fund which was created on 1 March 2019.

Figure 3-2 Number of unmodified and modified limited assurance reports



- 3.9 No modified limited assurance reports were issued in 2018-19 or 2017-18. No matters were identified during the Audit Office's limited assurance engagements on reporting agencies' statements of performance which indicated that reported results of accountability indicators were materially incorrect or unable to be independently verified.
- 3.10 However, the limited assurance report issued on the statement of performance of the Suburban Land Agency included an emphasis of matter because the reporting agency did not measure results for two accountability indicators as required by the *Financial Management Act 1996*.

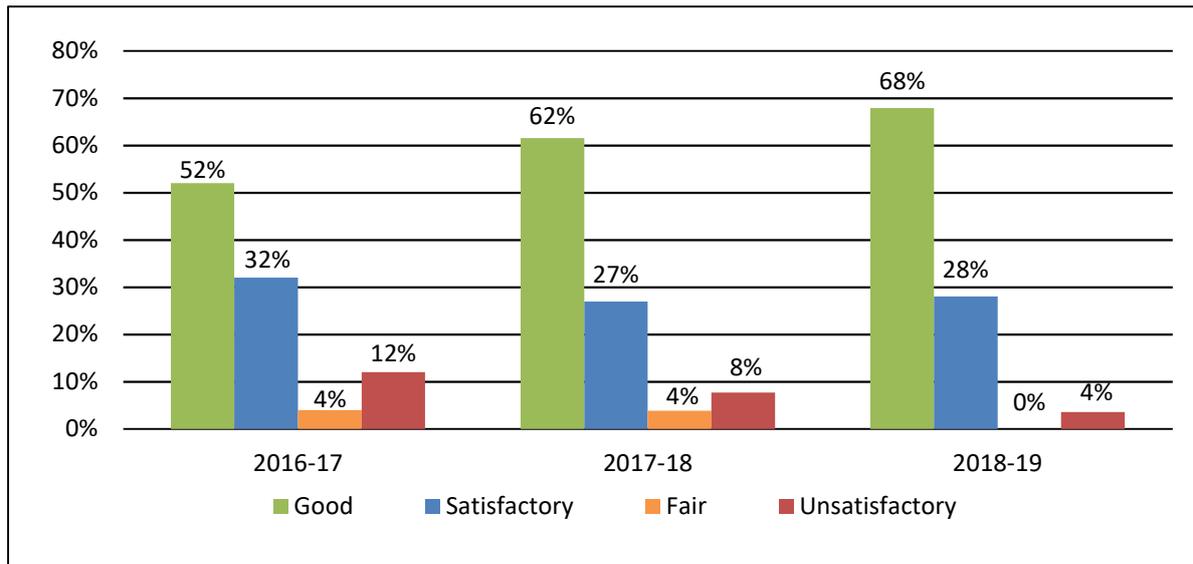
### Quality of statements of performance

- 3.11 An unmodified limited assurance report may be issued at the completion of the Audit Office's limited assurance engagement for a reporting agency's statement of performance providing a conclusion on the accuracy of the reported results for the accountability indicators.

However, as statements of performance are often corrected before the limited assurance report is issued, an unmodified limited assurance report does not mean the:

- quality of statements of performance submitted to the Audit Office was satisfactory; or
- processes implemented by reporting agencies to prepare their statements of performance are adequate.

- 3.12 The Audit Office assesses the quality of the statements of performance submitted by reporting agencies using the rating criteria in *Appendix A: Key Terms and Rating Criteria* to provide an overall indication of the adequacy of reporting agencies' processes for preparing their statements of performance.

**Figure 3-3 Quality of statements of performance**

3.13 The overall quality of statements of performance submitted to the Audit Office by reporting agencies improved in 2018-19. The percentage of statements of performance rated as good or satisfactory in 2018-19 increased to 96 percent (27 of 28) from 89 percent (23 of 26) in 2017-18.

3.14 The statements of performance of 19 reporting agencies (68 percent) were rated as good as no errors were identified in the reported results of accountability indicators, and minimal changes were required to disclosures.

The 8 reporting agencies (28 percent) whose statement of performance were rated as satisfactory typically contained a few errors in the reported results of accountability indicators or needed improvements to disclosures, such as explanations of variances from targets.

3.15 The Audit Office rated the statement of performance of one reporting agency as unsatisfactory due to many changes being needed to the results of accountability indicators and disclosures.

3.16 The Audit Office has made recommendations to improve reporting processes in this agency's audit management report that is provided to the governing board, internal audit committee and the responsible Minister.

### Timeliness of statements of performance

3.17 The whole-of-government reporting timetable issued each year by the Chief Minister, Treasury and Economic Development Directorate includes the date by which relevant reporting agencies are required to submit their statement of performance to the Audit Office.

- 3.18 Reporting agencies' compliance with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office improved from 88 percent (22 of 25) of reporting agencies in 2017-18 to 93 percent (25 of 27<sup>6</sup>) of reporting agencies in 2018-19.
- 3.19 The two reporting agencies that did not comply with the whole-of-government reporting timetable in 2018-19 submitted their statements of performance to the Audit Office shortly after the due date.

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<sup>6</sup> One of 28 reporting agencies is not required to comply with the whole-of-government reporting timetable as it prepared its statement of performance at 31 December 2018.

## 4 ANNUAL REPORTS

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### Introduction

- 4.1 Reporting agencies prepare their annual reports in accordance with the Annual Reports Directions issued by the Chief Minister, Treasury and Economic Development Directorate under the *Annual Reports (Government Agencies) Act 2004*.
- 4.2 The Annual Reports Directions require agencies to make their annual reports available to the community on the relevant website on the same day their annual report is tabled in the ACT Legislative Assembly.
- 4.3 The annual reports of reporting agencies include their audited financial statements and auditor's report, and where applicable, their statement of performance and limited assurance report.

### Overall finding

Most reporting agencies included accurate and complete versions of their financial statements with the auditor's report, and statement of performance with the limited assurance report, in their annual report. The two reporting agencies with inaccuracies subsequently issued corrections to their annual report.

### Key findings

	Paragraph
Almost all reporting agencies complied with the requirements of the Annual Reports Directions issued under the <i>Annual Reports (Government Agencies) Act 2004</i> to place a copy of their annual report on the relevant website on the day it was tabled in the ACT Legislative Assembly.	4.6
All but two reporting agencies included complete and accurate versions of their audited financial statements with the auditor's report, and the statement of performance with the limited assurance report, in their annual reports.	4.8

## Responsibilities

- 4.4 Reporting agencies are responsible for ensuring their annual report includes:
- accurate and complete versions of their audited financial statements and statement of performance; and
  - the complete auditor's report on the financial statements and limited assurance report on the statement of performance.
- 4.5 The Audit Office is required by Australian Auditing Standard ASA 720: 'The Auditor's Responsibilities Relating to Other Information' to review the annual reports of reporting agencies to confirm that the:
- financial statements and statement of performance are accurate and complete;
  - complete auditor's report and limited assurance report have been included; and
  - relevant financial and performance information in the annual report is consistent with the audited financial statements and statement of performance.

## Timeliness of annual reports

- 4.6 Almost all reporting agencies complied with the requirements of the Annual Reports Directions issued under the *Annual Reports (Government Agencies) Act 2004* to place a copy of their annual report on the relevant website on the day it was tabled in the ACT Legislative Assembly.
- 4.7 One agency placed their annual report on their website one working day after the due date.

## Financial and performance information in annual reports

- 4.8 All but two reporting agencies included complete and accurate versions of their audited financial statements with the auditor's report, and the statement of performance with the limited assurance report, in their annual reports.
- 4.9 Two reporting agencies did not include complete information in their annual report as:
- one reporting agency did not include the limited assurance report on their statement of performance; and
  - one reporting agency omitted part of the auditor's report on their financial statements.

These reporting agencies subsequently corrected the printed and website versions of their annual report.

## APPENDIX A: KEY TERMS AND RATING CRITERIA

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

### 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 Australian Accounting Standards set by the Australian Accounting Standards Board. These standards outline the reporting and disclosure requirements for financial statements.

An auditor's report is issued on a reporting agency's financial statements after the completion of an audit.

### Auditor's reports on financial statements

An auditor's report with an unmodified audit opinion is issued where the Audit Office concludes 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 auditor's report with a modified 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.

Few modified audit opinions are issued because reporting agencies usually agree to amend their financial statements before the audit is completed.

### Statements of performance

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 significant variances between actual and planned performance for each accountability indicator.

Accountability indicators are set by the reporting agency and included in its Budget Papers or Statement of Intent presented to the ACT Legislative Assembly and may provide information on the number, quality and timeliness of services provided.

The Audit Office performs a limited assurance engagement for each reporting agency's statement of performance. The work performed in a limited assurance engagement is substantially less than that performed in an audit of financial statements and therefore provides a lower level of assurance.

Work performed on accountability indicators is limited to making inquiries with representatives of the reporting agency, performing analytical and other review procedures, and examining selected evidence supporting the results of accountability indicators.

A limited assurance report is issued by the Audit Office on a reporting agency's statement of performance after the Audit Office has completed work on the reported results of accountability indicators.

The limited assurance report does not include an opinion on the relevance or usefulness of the accountability indicators included in the statement of performance because these indicators and their related targets are set by the reporting agency during the annual budget process.

### Limited assurance reports on statements of performance

A limited assurance report with an unmodified conclusion is issued where no matters have come to the Audit Office's attention which indicate the results of the accountability indicators reported in the statement of performance are not fairly or accurately presented.

A limited assurance report may include an emphasis of matter where the reporting agency has not complied with the requirements of the *Financial Management Act 1996* to establish accountability indicators and targets, or measure a result, for one or more of its accountability indicators.

A modified limited assurance report will be issued where a reported result of an accountability indicator is not accurate or cannot be independently verified.

Very few limited assurance reports are modified as reporting agencies usually agree to amend their statements of performance before the limited assurance report is issued.

### Materiality

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. Material information is that which affects decisions made by readers of the financial statements or statements of performance.

Where misstatements are identified but their combined effect is not material, the Audit Office is required to provide an unmodified auditor's report or unmodified limited assurance report.

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.

### Not fairly presented

Where the Audit Office concludes the financial statements or statement of performance are not fairly presented, the Audit Office's reasons for this conclusion and, where possible the correct information, will be disclosed in the auditor's report on the financial statements or limited assurance report on the statement of performance.

### Rating criteria for quality of financial statements and statements of performance

The following criteria were used to assess the quality of financial statements and statements of performance submitted by reporting agencies to the Audit Office for examination.

The assessment of each reporting agency's financial statements and statement of performance is undertaken collectively by the Assistant Auditor-General, Financial Audit and other senior members of the financial audit team.

Rating	Criteria
Good	Statements were prepared to a high standard as no errors were identified in reported amounts and minimal changes were required to disclosures.
Satisfactory	Statements were well prepared, but a few errors were identified in reported amounts or a few changes required to disclosures.
Fair	Statements were of borderline quality as several errors were identified in reported amounts or several changes required to disclosures.
Unsatisfactory	Statements were not well prepared as there were many errors in reported amounts and disclosures.



## Audit reports

<b>Reports Published in 2019-20</b>	
Report No. 08 – 2019	Annual Report 2018-19
<b>Reports Published in 2018-19</b>	
Report No. 07 – 2019	Referral processes for the support of vulnerable Children
Report No. 06 – 2019	ICT Strategic Planning
Report No. 05 – 2019	Management of the System-Wide Data Review implementation program
Report No. 04 – 2019	2017-18 Financial Audits - Computer Information Systems
Report No. 03 – 2019	Access Canberra Business Planning and Monitoring
Report No. 02 – 2019	Recognition and implementation of obligations under the <i>Human Rights Act 2004</i>
Report No. 01 – 2019	Total Facilities Management Procurement
Report No. 11 – 2018	2017-18 Financial Audits - Overview
Report No. 10 – 2018	Annual Report 2017-18
Report No. 09 – 2018	ACT Health's management of allegations of misconduct and complaints about inappropriate workplace behaviour
<b>Reports Published in 2017-18</b>	
Report No. 08 – 2018	Assembly of rural land west of Canberra
Report No. 07 – 2018	Five ACT public schools' engagement with Aboriginal and Torres Strait Islander students, families and community
Report No. 06 – 2018	Physical Security
Report No. 05 – 2018	ACT clubs' community contributions
Report No. 04 – 2018	2016-17 Financial Audits – Computer Information Systems
Report No. 03 – 2018	Tender for the sale of Block 30 (formerly Block 20) Section 34 Dickson
Report No. 02 – 2018	ACT Government strategic and accountability indicators
Report No. 01 – 2018	Acceptance of Stormwater Assets
Report No. 11 – 2017	2016-17 Financial Audits – Financial Results and Audit Findings
Report No. 10 – 2017	2016-17 Financial Audits – Overview
Report No. 09 – 2017	Annual Report 2016-17
Report No. 08 – 2017	Selected ACT Government agencies' management of Public Art
<b>Reports Published in 2016-17</b>	
Report No. 07 – 2017	Public Housing Renewal Program
Report No. 06 – 2017	Mental Health Services – Transition from Acute Care
Report No. 05 – 2017	Maintenance of Selected Road Infrastructure Assets
Report No. 04 – 2017	Performance information in ACT public schools
Report No. 03 – 2017	2015-16 Financial Audits – Computer Information Systems
Report No. 02 – 2017	2016 ACT Election
Report No. 01 – 2017	WorkSafe ACT's management of its regulatory responsibilities for the demolition of loose-fill asbestos contaminated houses
Report No. 11 – 2016	2015-16 Financial Audits – Financial Results and Audit Findings
Report No. 10 – 2016	2015-16 Financial Audits – Audit Reports
Report No. 09 – 2016	Commissioner for International Engagement – Position Creation and Appointment Process
Report No. 08 – 2016	Annual Report 2015-16

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

