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FINANCIAL AUDIT REPORT

2021-22 FINANCIAL AUDITS FINANCIAL RESULTS AND AUDIT FINDINGS

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ACT Audit Office

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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 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 '2021-22 Financial Audits - Financial Results and Audit Findings' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely

Michael Harris
Auditor-General
16 December 2022

The ACT Audit Office acknowledges the traditional custodians of the Canberra region. The Office wishes to acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.

CONTENTS

SUMMARY

Understanding the financial statements of the Australian Capital Territory Government (Territory) is important as they provide essential information to the ACT Legislative Assembly and community about the:

- financial performance and financial position of the Territory;
- capacity of the Territory to meet its financial obligations as they fall due; and
- financial impact and sustainability of the Territory's policies and strategies over time.

This report includes a discussion of the financial results of the Territory and reporting agencies that significantly affect these results for the year ended 30 June 2022, update on progress made by reporting agencies in resolving audit findings and an assessment of the accuracy of the financial and performance information included in reporting agencies' annual reports.

This is the second of the two reports on 2021-22 financial audits. The first report '2021-22 Financial Audits – Overview' (Report No. 08/2022) was tabled in the ACT Legislative Assembly on 28 November 2022.

Explanations of the key terms used in this report are included in Appendix A.

Conclusions

THE TERRITORY'S FINANCIAL STATEMENTS

An unmodified auditor's report was issued on the Territory's 2021-22 financial statements. This indicates that the financial statements present a true and fair view of the Territory's financial position and results of its operations.

The Territory incurred a net operating balance deficit of $923 million in 2021-22 which means that the Territory's expenses exceeded its revenue by $923 million. This was however $340 million less than the deficit anticipated in the budget. The Territory estimates net operating deficits will continue to be incurred for the next four years as expenses are forecasted to continue to exceed revenue.

After adjusting for other economic impacts, mainly in relation to losses on investments, the Territory had an operating deficit of $1 120 million in 2021-22 compared to the budgeted operating deficit of $1 060 million. The Territory expects operating deficits will continue to be incurred over the next four years.

The net assets of the Territory were $19 462 million at 30 June 2022. This is higher than the budgeted amount by $3 014 million mainly due to the higher than expected revaluation of property, plant and equipment assets.

The Territory's borrowings increased in 2022 by $1 180 million (14 percent) to $9 508 million mainly to fund the Government's COVID-19 pandemic response and investment in major infrastructure. Total borrowings are projected to increase by almost 50 percent to $14 043 million by 2025-26.

The Territory had a strong capacity to pay its liabilities that are due within 12 months as it has a net short-term asset position of $2 143 million at 30 June 2022. This is expected to remain strong over the next four years.

AUDIT FINDINGS

The total number of audit findings reported in 2021-22 remained unchanged at 48 from the prior year. Agencies performance in addressing audit findings also remained largely consistent over the past two years with around 50 percent of previously reported findings resolved.

Fifty percent of the total findings (24 out of 48) in 2021-22 were new findings. This indicates that continued attention is required from those charged with the governance of agencies to maintain adequate internal controls and proper reporting of the financial and operating results of respective agencies

While agencies are making some progress in implementing and maintaining effective internal controls, deficiencies in internal controls still represent about half of the audit findings (44 percent or 21 of 48) reported to agencies in 2021-22.

COMPUTER INFORMATION SYSTEMS

The Audit Office assessed controls over computer information systems used by agencies to prepare their financial statements as satisfactory. This means that these controls provide reasonable assurance that the information reported by agencies in their financial statements from these systems is reliable, accurate and complete.

There are however control weaknesses that need to be addressed by agencies to further reduce the risk of errors and fraud in their financial information, unauthorised access to sensitive information, and cyber security attacks.

1 THE TERRITORY’S FINANCIAL STATEMENTS

1.1 The Australian Capital Territory Government’s (Territory’s) financial statements includes the financial results of:

- ACT Government directorates;
- Territory authorities;
- companies controlled by the Territory; and
- the Territory’s share of the financial results of joint ventures such as the ActewAGL Joint Venture and land joint ventures.

1.2 Entities whose financial results are combined to form the Territory’s financial statements are listed in Appendix B and consist of 35 entities for the 2021-22 reporting period.

1.3 The key financial results from the Territory’s audited 2021-22 financial statements are summarised in this chapter. This includes a discussion on:

- key operating results represented by the net operating balance and operating (deficit)/surplus. These provide an indication of the financial sustainability of the ACT Government’s strategies and policies, particularly when assessed over time;
- long-term financial position represented by the net assets and unfunded liabilities. This provides an indication of the Territory’s capacity to meet its financial obligations over the period longer than 12 months;
- short-term financial position represented by the net short-term assets. This provides an indication of the Territory’s capacity to meet its financial obligations over the next 12 months; and
- estimated financial results for the period from 2022-23 to 2025-26 included in the 2022-23 Budget Papers.

Conclusion

An unmodified auditor's report was issued on the Territory's 2021-22 financial statements indicating that the financial statements present a true and fair view of the Territory's financial position and results of its operations.

The Territory incurred a net operating balance deficit of $923 million in 2021-22 which means that the Territory's expenses exceeded its revenue by $923 million. This was however $340 million less than the deficit anticipated in the budget. The Territory estimates net operating deficits will continue to be incurred for the next four years as expenses are forecasted to continue to exceed revenue.

After adjusting for other economic impacts, mainly in relation to losses on investments, the Territory had an operating deficit of $1 120 million in 2021-22 compared to the budgeted operating deficit of $1 060 million. The Territory expects operating deficits will continue to be incurred over the next four years.

The net assets of the Territory were $19 462 million at 30 June 2022. This is higher than the budgeted amount by $3 014 million mainly due to the higher than expected revaluation of property, plant and equipment assets.

The Territory's borrowings increased in 2022 by $1 180 million (14 percent) to $9 508 million mainly to fund the Government's COVID-19 pandemic response and investment in major infrastructure. Total borrowings are projected to increase by almost 50 percent to $14 043 million by 2025-26.

The Territory had a strong capacity to pay its liabilities that are due within 12 months as it has a net short-term asset position of $2 143 million at 30 June 2022. This is expected to remain strong over the next four years.

Summary

Net operating balance

A net operating balance deficit of $923 million was incurred by the Territory in 2021-22 as the cost of services delivered by the ACT Government ($8 299 million) exceeded its revenue ($7 377 million).

The net operating balance deficit ($923 million) was lower than the budgeted deficit ($1 263 million) by $340 million (27 percent) mainly due to increases in revenue from Commonwealth grants and taxation from residential conveyancing duty.

The Territory estimates similar sized net operating balance deficits will continue to be incurred over the next four years. This means that the costs of delivering public services are estimated to continue to exceed projected revenue over this period.

Operating result

The Territory incurred an operating deficit of $1 221 million in 2021-22 compared to the budgeted operating deficit of $1 060 million mainly due to the lower deficit in the net operating balance and losses on financial assets from weak performance of investment markets.

The Territory estimates operating deficits will continue to be incurred for the next four years as the other economic flows are projected to be insufficient to offset the deficits in the net operating balance. However, these are anticipated to be lower than the current year and reduce to $485 million by 2025-26.

Financial position

The net assets of the Territory at 30 June 2022 ($19 462 million) were $3 014 million (18 percent) higher than budgeted ($16 448 million) mainly due to the increase in the value of the public housing portfolio from revaluation.

The Territory's borrowings increased in 2022 by $1 180 million (14 percent) to $9 508 million to provide further funding for the Government's COVID-19 pandemic response and investment in major infrastructure. Borrowings have significantly increased over the last four years, more than doubling from $3 441 million in 2018 to $9 508 million in 2022. Total borrowings are projected to increase further to $14 043 million by 2026.

The Territory has a strong net short-term asset position at 30 June 2022 with approximately $1.70 in short-term assets to meet each $1 of its short-term liabilities ($1.80 at 30 June 2021). The Territory expects the short-term asset position to remain strong over the next four years.

Operating results

Table 1-1 Operating results

	Actual 2017-18 $m	Actual 2018-19 $m	Actual 2019-20 $m	Actual 2020-21 $m	Actual 2021-22 $m	Budget 2021-22 $m
Revenue	5 692	6 034	5 850	6 676	7 377	6 921
Expenses	(5 734)	(6 271)	(6 811)	(7 334)	(8 299)	(8 183)
Net operating balance deficit	**(42)**	**(237)**	**(961)**	**(658)**	**(923)**	**(1 263)**
Other economic inflows/ (outflows)	289	35	(6)	781	(298)	201
Operating surplus/(deficit)	**247**	**(202)**	**(967)**	**123**	**(1 221)**	**(1 060)**

1.4 Table 1-1 outlines the Territory's operating results for the period from 2017-18 to 2021-22 and budget for 2021-22.

1.5 The Territory's main sources of revenue are:

- Commonwealth Government grants, relating to a share of the national GST revenue pool and funding received to provide healthcare, education, skills and workforce development, affordable housing and disability services;
- taxation, mainly relating to rates, conveyancing duties and payroll tax;
- sales of goods and services, mainly relating to water supply and sewerage services, hospital and other health related services including services provided under cross-border (interstate) arrangements and regulatory services; and
- land revenue (value-add component). This is the increase in the value of land resulting from development work undertaken by the Territory to prepare land for sale mainly at newly established suburbs in the Territory.

1.6 The Territory's expenses are mainly comprised of employee and superannuation expenses, grants and purchased services, supplies and services, and depreciation and amortisation.

1.7 The net operating balance is a key measure of the Territory's financial performance and is the difference between revenue and expenses.

1.8 The operating surplus/(deficit) is the sum of the net operating balance and other economic flows.

1.9 Other economic flows mainly include:

- net gain/(loss) on financial assets and liabilities at fair value reflecting changes in market conditions that affect the value of investments;
- land revenue (market gains on land sales). This is an estimate of the profit from land sales due to market price increases;
- net land revenue (undeveloped land value). This is an estimate of the value of the land to the Territory at the time a decision is made to progress a development; and
- net gain/(loss) on the sale/(disposal) of non-financial assets.

2021-22 operating result compared to budget estimates

Net operating balance

1.10 The net operating balance deficit ($923 million) in 2021-22 was lower than the budgeted deficit ($1 263 million) by $340 million (27 percent). This was mainly due to higher than expected:

- Commonwealth Government grants as a result of a higher amount of GST revenue collected; and
- taxation revenue largely to due to higher residential conveyancing duty reflecting higher transaction volumes and prices across the property market.

Operating surplus/(deficit)

1.11 The Territory incurred an operating deficit in 2021-22 of $1 221 million compared to the budgeted operating deficit of $1 060 million. This was mainly due to:

- lower than expected deficit ($340 million) in the net operating balance; and
- a loss on financial assets of $403 million (276 percent) compared to budgeted gain of $229 million resulting from weaker than expected investment market performance. This was largely due to increasing financial market volatility, inflation, higher interest rates and a moderating growth outlook.

2021-22 operating result compared to prior year result

Net operating balance

1.12 The net operating balance deficit in 2021-22 ($923 million) has increased from the deficit incurred in 2020-21 ($658 million) by $265 million (40 percent). This was due to the increase in expenses exceeding the increase in revenue compared to previous year.

1.13 The increase in revenue of $701 million (11 percent) resulted mainly from higher:

- Commonwealth Government grants of $444 million mainly due to higher GST revenue resulting from an increase in GST pool funding for 2021-22; and
- taxation revenue of $359 million mainly to due to higher residential conveyancing duty collected from higher than anticipated sales (both in terms of volume and value) from a strong property market in 2021-22.

1.14 The increase in expenses of $965 million (13 percent) resulted mainly from higher:

- grants expenses of $417 million mainly due to the COVID-19 business support grants and extension payments provided to financially affected ACT local businesses impacted by the COVID-19 pandemic;
- employee expenses of $242 million mainly due to the increased staffing to support the Government's continued response to the COVID-19 pandemic and pay increases associated with teaching, administrative and other staff enterprise agreements; and
- supplies and services expenses of $195 million mainly resulting from higher materials, equipment and supplies due to higher levels of health-related protective equipment, medical supplies and higher demand for pathology testing to support the ongoing public response to COVID-19, and expenditure associated with the Digital Health Record project.

Operating surplus/(deficit)

1.15 The Territory incurred an operating deficit of $1 221 million in 2021-22 compared with the prior year operating surplus of $123 million mainly due to:

- the previously mentioned increase in the net operating balance deficit to $923 million; and
- other economic outflows of $298 million primarily due to a loss in the value of financial assets arising from increasing financial market volatility, inflation, higher interest rates and a moderating growth outlook.

Projected operating results

Table 1-2 Projected operating results

	Actual 2021-22 $m	Budget 2022-23 $m	Estimate 2023-24 $m	Estimate 2024-25 $m	Estimate 2025-26 $m
Revenue	7 377	7 418	7 783	7 990	8 187
Expenses	(8 299)	(8 280)	(8 527)	(8 718)	(8 969)
Net operating balance deficit	**(923)**	**(863)**	**(745)**	**(728)**	**(782)**
Other economic (outflows)/inflows	(298)	284	316	312	297
Operating deficit	**(1 221)**	**(579)**	**(429)**	**(416)**	**(485)**

Source: Territory's 2021-22 financial statements and 2022-23 Budget Papers.

1.16 Table 1-2 shows that the Territory estimates net operating balance deficits will continue to be incurred for the next four years as the costs of delivering public services are estimated to exceed projected revenue. The net operating balance deficit is estimated to be $782 million by 2025-26.

1.17 The Territory also estimates operating deficits to be incurred over the same period, as the other economic flows are not projected to be large enough to offset the net operating deficits. The operating deficit is estimated to be $485 million by 2025-26.

Financial position

Table 1-3 Assets and liabilities

At 30 June	Actual 2018 $m	Actual 2019 $m	Actual 2020 $m	Actual 2021 $m	Actual 2022 $m	Budget 2022 $m
Assets						
Financial assets - Note 1	2 218	3 192	3 863	4 573	5 100	4 216
Property, plant and equipment	22 744	24 450	25 485	27 445	31 053	27 918
Other non-financial assets - Note 2	2 612	2 592	2 658	2 573	2 749	2 944
Total assets	**27 574**	**30 234**	**32 006**	**34 591**	**38 902**	**35 078**
Liabilities						
Borrowings	3 441	4 476	7 340	8 329	9 508	10 052
Unfunded superannuation - Note 3	5 746	7 583	7 798	8 313	6 117	4 750
Advances received, payables and finance leases	1 384	1 856	1 138	1 542	1 604	1 574
Employee benefits and other provisions	1 156	1 676	2 001	2 076	2 114	2 154
Contract and Other liabilities	43	31	150	92	97	100
Total liabilities	**11 770**	**15 622**	**18 427**	**20 352**	**19 440**	**18 630**
Net assets	**15 804**	**14 612**	**13 579**	**14 239**	**19 462**	**16 448**
Ratio of assets to liabilities	**2.3:1**	**1.9:1**	**1.7:1**	**1.7:1**	**2.0:1**	**1.9:1**

Note 1: Financial assets exclude the Territory's investments in joint ventures and superannuation investments.

Note 2: Other non-financial assets include the Territory's investments in joint ventures which are classified as financial assets in the Territory's financial statements.

Note 3: Unfunded superannuation is the amount by which the estimated superannuation liability exceeds superannuation investments.

1.18 Assets of the Territory are largely comprised of:

- property, plant and equipment;
- financial assets consisting mainly of investments excluding superannuation investments as well as cash and deposits and receivables; and
- other non-financial assets consisting mainly of the Territory's investments in joint ventures, capital works in progress, inventories, and intangibles.

1.19 Liabilities of the Territory largely include unfunded superannuation liabilities, borrowings, lease liabilities, employee benefits and other provisions.

1.20 The capacity of the Territory to meet its obligations over the long-term (a period greater than 12 months) can be assessed by evaluating the Territory's net asset position and ratio of assets to liabilities, that is, how much the Territory has in assets to meet its liabilities. It is considered that the Territory should have at least the same amount of assets to meet its liabilities. This can be expressed as a ratio of 1:1. Table 1-3 shows that the Territory has around $2 in assets to meet each dollar of liabilities as at 30 June 2022.

1.21 Net assets of the Territory as at 30 June 2022 ($19 462 million) were higher than budgeted ($16 448 million) by $3 014 million (18 percent) mainly due to higher than expected property value as a result of the revaluation of the Territory's property, plant and equipment assets.

1.22 Net assets of the Territory at 30 June 2022 ($19 462 million) were higher than at 30 June 2021 ($14 239 million) by $5 223 million (37 percent). This was mainly due:

- an increase in property, plant and equipment of $3 608 million mainly from upward revaluation of the Housing ACT property portfolio, and infrastructure assets held by the Transport Canberra and City Services Directorate;
- a decrease in the superannuation liabilities of $2 196 million due to a change in the defined benefit superannuation liability valuation mainly from the use of an increased discount rate, inflation, and salary growth assumptions. Further information on the Territory's superannuation liability, including the discount rate, can be found in the section on the Superannuation Provision Account in Chapter 4 of this report;
- an increase in financial assets of $528 million mainly due to higher cash at bank from the additional borrowings obtained during the period;
- an increase in capital works in progress of $206 million mainly due to Major Projects Canberra's progress on the expansion of the Canberra Hospital, Light Rail Stage 2 project, construction of Woden bus layovers and Woden interchange, and the Digital Health Record project; partially offset by
- an increase in interest bearing liabilities of $1 179 million reflecting new fixed rate borrowings issued during the period to support the Government's ongoing COVID-19 response and for major infrastructure such as the new primary school at Throsby, upgrade of Campbell Primary School, and the public transport network.

Unfunded liabilities

Table 1-4 Unfunded liabilities

At 30 June	Actual 2018 $m	Actual 2019 $m	Actual 2020 $m	Actual 2021 $m	Actual 2022 $m	Budget 2022 $m
Liabilities						
Unfunded superannuation - Note 1	5 746	7 583	7 798	8 313	6 117	4 750
Borrowings	3 441	4 476	7 340	8 329	9 508	10 052
Advances received, payables and finances leases	1 384	1 856	1 138	1 542	1 604	1 574
Other including employee benefits	1 199	1 707	2 151	2 168	2 211	2 254
Total liabilities	**11 770**	**15 622**	**18 427**	**20 352**	**19 440**	**18 630**
Financial assets - Note 2	**2 218**	**3 192**	**3 863**	**4 573**	**5 100**	**4 216**
Unfunded liabilities	**9 552**	**12 430**	**14 564**	**15 779**	**14 340**	**14 414**

Note 1: The unfunded superannuation liability is the amount by which estimated superannuation liabilities exceeds superannuation investments.

Note 2: Financial assets exclude the Territory's investments in joint ventures and superannuation investments.

1.23 The long-term financial position of the Territory can also be assessed by comparing total liabilities to financial assets as the Territory's short and long-term obligations are primarily funded by its financial assets. This assessment is more conservative than an assessment of the:

- net asset position because it assumes that the Territory's non-financial assets such as schools, hospitals and infrastructure assets are not generally available for sale to meet its liabilities; and
- net debt as this measure does not consider the significant superannuation liability, which makes up almost half of the Territory's total liabilities.

1.24 Table 1-4 shows that the Territory is in an 'unfunded liability' position, as the Territory's total liabilities exceed its financial assets.

1.25 Unfunded liabilities of the Territory as at 30 June 2022 ($14 340 million) were only slightly higher than budgeted ($14 414 million) by $74 million (1 percent).

1.26 Unfunded liabilities of the Territory at 30 June 2022 ($14 340 million) have decreased from 30 June 2021 ($15 779 million) by $1 349 million (9 percent) mainly due to a higher discount rate used to estimate the superannuation liability partially offset by an increase in borrowings.

1.27 Table 1-4 also shows that the Territory's borrowings continue to increase and have significantly increased in the last four years, more than doubling from $3 441 million in 2018 to $9 508 million in 2022. The borrowings have been mainly used to fund capital expenditure and to provide additional liquidity to fund the Government's COVID-19 pandemic response.

Projected unfunded liabilities

Table 1-5 Projected unfunded liabilities

At 30 June	Actual 2022 $m	Budget 2023 $m	Estimate 2024 $m	Estimate 2025 $m	Estimate 2026 $m
Liabilities					
Unfunded superannuation - Note 1	6 117	3 721	3 568	3 364	3 108
Borrowings	9 508	10 409	12 120	13 104	14 043
Advances received, payables and finance leases	1 604	1 525	1 481	1 454	1 408
Other liabilities including employee benefits	2 211	2 317	2 378	2 446	2 535
Total liabilities	**19 440**	**17 972**	**19 547**	**20 368**	**21 094**
Financial assets - Note 2	**5 100**	**4 021**	**4 621**	**4 358**	**4 087**
Unfunded liabilities	**14 340**	**13 951**	**14 926**	**16 010**	**17 007**

Source: Budget and forward estimates were obtained from the 2022-23 Budget Papers.

Note 1: The unfunded superannuation liability is the amount by which the estimated superannuation liability exceeds superannuation investments.

Note 2: Financial assets exclude the Territory's investments in joint ventures and superannuation investments.

1.28 Table 1-5 shows the Territory's estimated unfunded liabilities over the forward years to 2026. Unfunded liabilities at 30 June 2022 of $14 340 million are estimated to fall to $13 951 million in 2023 largely due to an estimated decrease in the unfunded superannuation liability before rising to $17 007 million in 2026 mostly from further increases in borrowings which are estimated to rise to $14 043 million in 2026.

1.29 The unfunded superannuation liability at 30 June 2022 of $6 117 million is estimated to decrease by $2 396 million (39 percent) to $3 721 million in 2023 and remain at a similar level until 2026 mainly due to the use of a higher long-term discount rate used to calculate this liability for the purposes of the Budget and forward estimates.

1.30 Total borrowings are projected to significantly increase by $4 535 million (48 percent) from $9 508 million in 2022 to $14 043 million in 2026.

Short-term financial position

Table 1-6 Net short-term assets

At 30 June	Actual 2018 $m	Actual 2019 $m	Actual 2020 $m	Actual 2021 $m	Actual 2022 $m	Budget 2022 $m
Short-term assets - Note 1	2 218	3 192	3 863	4 573	5 100	4 216
Short-term liabilities - Note 2	1 234	2 442	1 878	2 512	2 957	3 173
Net short-term assets	**984**	**750**	**1 985**	**2 061**	**2 143**	**1 043**
Ratio of short-term assets to short-term liabilities	**1.8:1**	**1.3:1**	**2.1:1**	**1.8:1**	**1.7:1**	**1.3:1**

Note 1: Short-term assets are financial assets and exclude investments in joint ventures and superannuation investments because these assets are not generally available to meet the Territory's short-term liabilities.

Under the *Territory Superannuation Provision Protection Act 2000*, superannuation investments can only be used to make payments related to employee superannuation. For the purposes of this analysis, these investments have been excluded from short-term assets because these investments are not available to meet short-term liabilities.

Note 2: Short-term liabilities are calculated by subtracting current superannuation liabilities from the current liabilities reported in the Territory's financial statements.

1.31 The Territory's short-term financial position can be assessed by its capacity to meet its financial obligations over the short-term by comparing the Territory's short-term assets available to meet its short-term liabilities. It is considered that the Territory should have at least the same amount of short-term assets to meet its short-term liabilities.

1.32 Table 1-6 shows that the Territory has a strong net short-term asset position of 1.7:1 at 30 June 2022. This means that it has approximately $1.70 in short-term assets to meet each $1 of its short-term liabilities.

1.33 Net short-term assets of the Territory at 30 June 2022 ($2 143 million) were higher than budgeted net assets ($1 043 million) by $1 100 million (105 percent) mainly due to higher cash and deposits held by the Territory for operational purposes.

Projected short-term financial position

Table 1-7 Projected net short-term assets

At 30 June	Actual 2022 $m	Budget 2023 $m	Estimate 2024 $m	Estimate 2025 $m	Estimate 2026 $m
Short-term assets - Note 1	5 100	4 021	4 621	4 358	4 087
Short-term liabilities - Note 2	2 957	2 422	2 980	2 558	2 088
Net short-term assets	**2 143**	**1 599**	**1 641**	**1 800**	**1 999**
Ratio of short-term assets to short-term liabilities	**1.7:1**	**1.7:1**	**1.6:1**	**1.7:1**	**2.0:1**

Source: The budget and forward estimates were obtained from the 2022-23 ACT Budget Papers.

Note 1: Short-term assets are financial assets and exclude investments in joint ventures and superannuation investments because these assets are not generally available to meet the Territory's short-term liabilities.

Under the *Territory Superannuation Provision Protection Act 2000*, superannuation investments can only be used to make payments related to employee superannuation. For the purposes of this analysis, these investments have been excluded from short-term assets because these investments are not available to meet short-term liabilities.

Note 2: Short-term liabilities are calculated by subtracting superannuation liabilities from the current liabilities reported in the Territory's financial statements.

1.34 Table 1-7 shows that the Territory estimates that its net short-term assets position will remain in a strong position over the next four years.

2 AUDIT FINDINGS

2.1 This chapter provides an overview of the audit findings identified by the Audit Office during the audit of agencies' financial statements and the limited assurance engagements on their statements of performance.

2.2 The Audit Office provides audit findings to those charged with governance of an agency in an audit management report as required by the Australian Auditing Standards. Those charged with governance are Directors-General, Chief Executive Officers, Chairs of Governing Boards and independent officers of the ACT Legislative Assembly. The Audit Office also provides a copy of the audit management report to respective Internal Audit Committees, the Ministers responsible for that agency, and where relevant to the Speaker of the ACT Legislative Assembly.

2.3 Audit findings reported in audit management reports are categorised as:

- deficiencies in key internal controls which include matters that can result in fraudulent activities and ineffective controls that can undermine the control environment;
- improvements required in reporting practices for the preparation and presentation of financial statements and statement of performance, including compliance with applicable legislative requirements. These audit findings can result in a modified auditor's report or modified limited assurance report if they are not addressed by agencies; and
- weaknesses in governance arrangements and matters that pose operational or financial risks.

2.4 Adequacy of the internal controls, reporting practices and governance arrangements significantly affect the reliability of the information included in agencies' financial statements and statements of performance. Reporting agencies are responsible for maintaining adequate internal controls, reporting practices and governance arrangements including compliance with the applicable legislation. Therefore, the Audit Office categorises audit findings reported under the headings of internal controls, reporting practices and governance arrangements.

2.5 Audit findings from the review of controls over computer information systems performed as part of financial audits are included in Chapter 3: 'Computer Information Systems' of this report.

Conclusion

The total number of audit findings reported in 2021-22 remained unchanged at 48 from the prior year. Agencies performance in addressing the audit findings also remained largely consistent over the past two years with around 50 percent of previously reported findings resolved.

Fifty percent of the total findings (24 out of 48) in 2021-22 were new findings. This indicates that continued attention is required from those charged with the governance of agencies to maintain adequate internal controls and proper reporting of the financial and operating results of respective agencies.

While agencies are making some progress in implementing and maintaining effective internal controls, deficiencies in internal controls still represent about half of the audit findings (44 percent or 21 of 48) reported to agencies in 2021-22.

Impact of audit findings

2.6 Audit management reports issued by the Audit Office contain a description of the matter identified by the audit team, risks or implications arising from the matter to the agency and suggested recommendations on how to address the audit finding. While such recommendations present an opportunity for improvement, the findings do not necessarily result in a modified auditor's report being issued on the financial statements of the reporting agency.

2.7 In 2021-22, one modified auditor's report with an adverse opinion was issued from an audit finding that resulted in a material non-compliance with the legislation and accounting standards for the respective agency. This matter is discussed in more detail in Chapter 4 under the section on 'Cemeteries and Crematoria Authority'.

2.8 For all other agencies, the auditor's reports on the financial statements were not modified in respect of audit findings as the findings did not have a material impact on the financial results or disclosures reported in these agencies' financial statements.

2.9 Where audit findings were as a result of not measuring a result for an accountability indicator, the limited assurance report on the statement of performance will accompany an emphasis of matter paragraph stating non-compliance with the requirements of the *Financial Management Act 1996*.

Status of audit findings

2.10 The status of audit findings reported by the Audit Office to agencies in audit management reports over the three years is shown in Table 2-1.

Table 2-1 Status of audit findings

Year	Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
2021-22	48	(24)	18	6	24	48
2020-21	50	(30)	9	11	28	48
2019-20	44	(25)	11	8	31	50

2.11 In 2021-22, the total number of audit findings remained unchanged at 48 from the prior year. Agencies performance in addressing audit findings also remained largely consistent over the past two years with around 50 percent of previously reported findings resolved.

2.12 A higher number of findings (18 or 38%) were only partially resolved in 2021-22 as the actions taken by the agencies to address weaknesses identified by the Audit Office were not sufficient to resolve respective audit findings. For example, where a group of policies and procedures are required to be updated and approved but only some of the requested documents have been completed and approved the finding will be considered partially resolved as some action has been taken but other action is still required to report the finding as resolved.

2.13 Fifty percent of the total findings (24 out of 48) in 2021-22 were new findings. A steady number of new audit findings have been identified over the three reporting periods from the financial statement audits and limited assurance engagements on statements of performance. This indicates that continued attention is required from those charged with the governance of agencies to maintain adequate internal controls and proper reporting of the financial and operating results of respective agencies.

Categories of audit findings

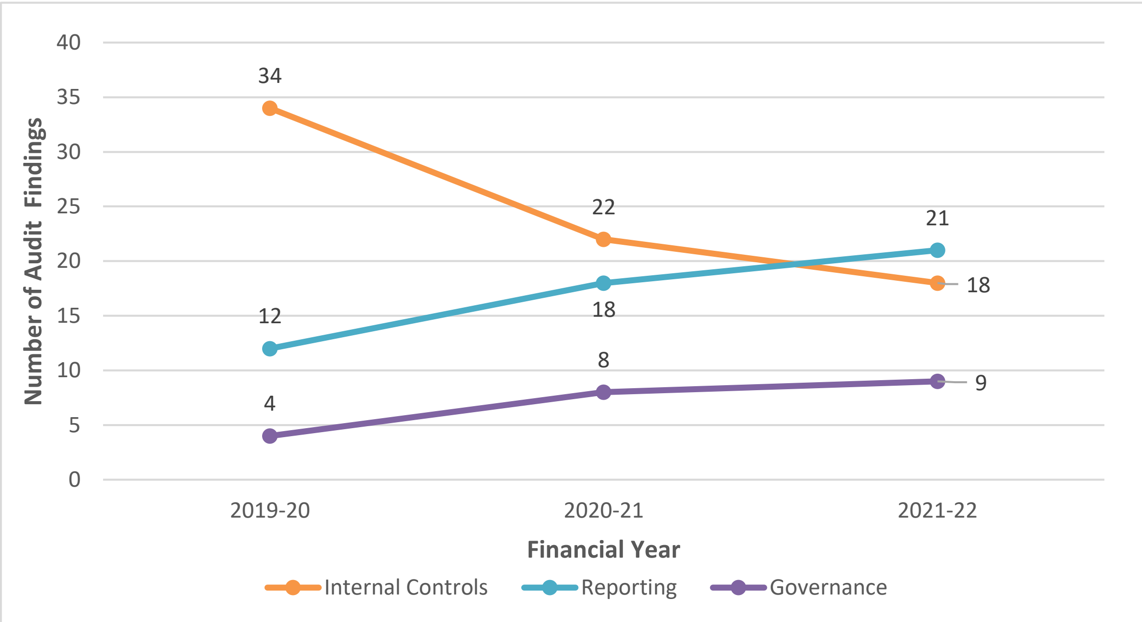
2.14 The audit findings reported in the audit management reports of agencies are categorised under the headings of internal controls, reporting and governance. A description of these categories is provided below.

Category	Description
Internal controls	• Key controls which are ineffective or non-existent. • Control weaknesses which are systemic or undermine the control environment.

Reporting	• Matters that resulted in, or could result in, a modified auditor's report or modified limited assurance report if not addressed by the agency. • Matters where reporting practices should be improved.
Governance	• Matters that pose an operational or financial risk to the agency. • Matters which have been previously reported to management but have not been satisfactorily addressed.

2.15 Figure 2-1 shows the number of findings reported to agencies in each category in audit management reports from 2019-20 to 2021-22.

Figure 2-1 Categories of audit findings



2.16 Audit findings relating to reporting arrangements increased from 18 in 2020-21 to 21 in 2021-22 meaning agencies need to focus more attention on improving their financial reporting processes and measuring the performance of their accountability indicators as they now account for 44% of all audit findings (21 of 48).

2.17 Audit findings relating to internal controls decreased to 18, down from 22 in 2020-21. Agencies have been making steady progress in implementing and maintaining effective internal control arrangements over the past two years as these findings have dropped from 68% (34 of 50) in 2019-20 to 38% (18 of 48) in 2021-22. The key areas for improvement include processes for the preparation, collection and reporting of data for accountability indicators in statements of performance, the review of salary reports, reconciliations of key systems to general ledgers, and ensuring operational policies and procedures are up to date.

2.18 In 2021-22, there is a significant increase in audit findings relating to governance arrangements with 9 findings being reported compared to only 4 in 2019-20. Areas that required attention include:

- reporting arrangements to comply with legislative requirements;
- opportunities for improvement in internal audit and business continuity processes, key governance documentation such as risk management, fraud and corruption prevention plans; and
- instructions relating to record keeping for assets and how key finance transactions are to be performed.

New audit findings

2.19 In 2021-22, the Audit Office reported 24 new audit findings with 12 (50 percent) of these findings relating to reporting activities, 7 (29 percent) relating to internal controls and the remaining 5 (21 percent) relating to weaknesses in governance arrangements.

2.20 New audit findings relating to reporting and internal controls include:

- inadequacy or delays in providing workpapers supporting material balances and disclosures in the financial statements for balances such as income from customers, inter-agency income and expenses, employment benefits implied in enterprise agreements, and carrying amount of assets held at fair value between formal valuations;
- weakness in the process for reviewing fortnightly salary reports, periodic reconciliations between subsidiary and general ledgers and documentation of the evidence of satisfactory receipt of goods and services prior to paying invoices; and
- not measuring a result for accountability indicators in the statement of performance to comply with the *Financial Management Act 1996.*

2.21 Audit findings relating to weaknesses in governance include:

- not reviewing and updating information and technology strategic plans, business continuity plans and asset accounting policies on a regular basis; and
- further work and assessments required on financial reporting obligations of some reporting agencies to demonstrate compliance with their enabling legislation.

Resolved audit findings

2.22 Resolved audit findings comprised of all three categories of previously reported findings. For example, agencies resolved a number of findings by:

- updating and approving fraud and corruption prevention and risk management plans;
- updating accounting policies and instructions to staff to provide increased assurance that balances and disclosures in the financial statements are complete and accurate; and
- improving workpapers supporting information reported in the financial statements and statements of performance.

2.23 Resolved audit findings also included audit findings relating to statement of performance where respective limited assurance reports accompanied an emphasis of matter paragraph in the previous financial years. Agencies addressed these audit findings by either introducing systems to measure a result to comply with the *Financial Management Act 1996* or by replacing accountability indicators from the Budget Papers in the following year with new indicators having systems and processes to report a correct result.

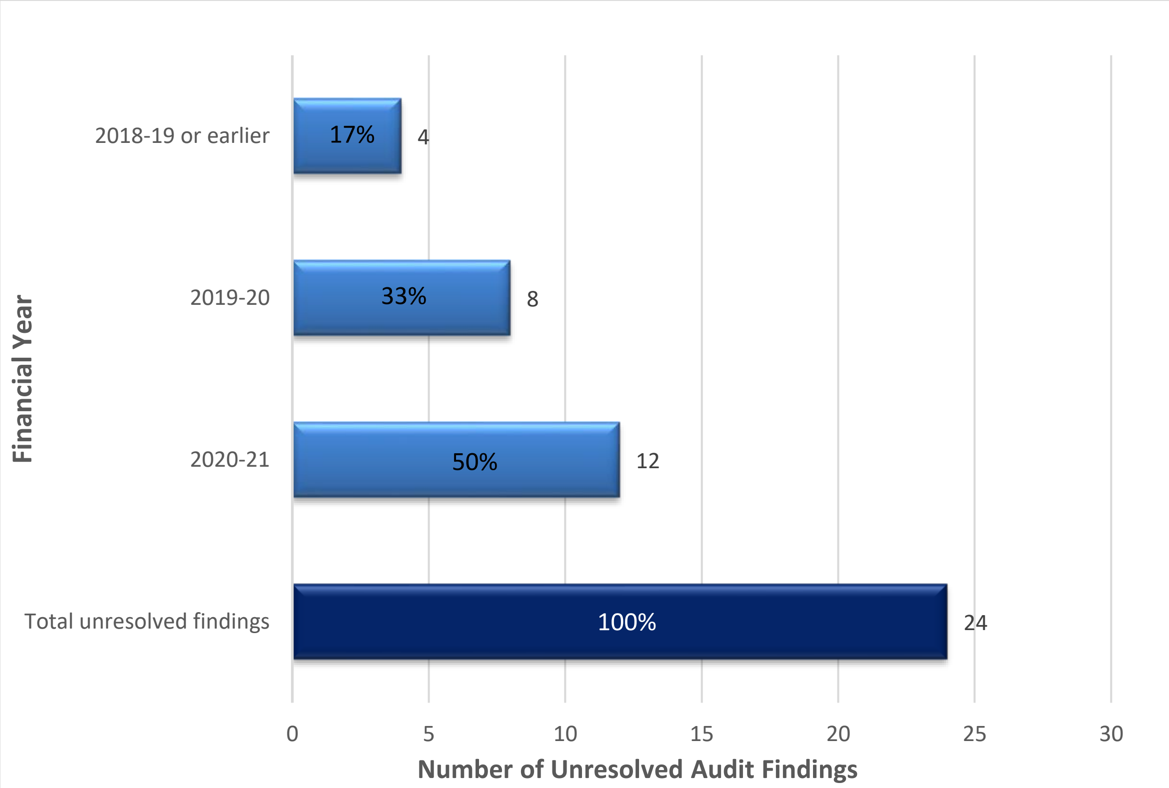
Audit findings not resolved

2.24 As at 30 June 2022, 24 of the 48 (50 percent) audit findings which were previously reported to agencies remained either partially resolved or not resolved.

2.25 The audit management report includes a suggested timeframe for the agency to implement audit recommendations (e.g., within 3, 6 or 12 months) and an update on progress made by the agency in addressing previously reported audit findings that remain unresolved.

2.26 Figure 2-2 shows a breakdown of when these 24 audit findings not resolved or partially resolved were first reported to agencies.

Figure 2-2 Aging of 2021-22 audit findings not resolved or partially resolved



2.27 Twenty of the 24 (83 percent) unresolved audit findings in 2021-22 were first reported to agencies during the preceding two financial years. This indicates that agencies are required to closely monitor relevant findings until audit recommendation are implemented to address weaknesses reported by the Audit Office in audit management reports.

2.28 Four (17 percent) unresolved audit findings were first reported to agencies prior to 2018-19 or earlier. These findings related to:

- the review of salary reports where there were still instances of these reviews not being performed in a timely manner;
- the usefulness and clarity of accountability indicators reported in the statement of performance could be improved. While this agency has reviewed its accountability indicators as part of the annual budget preparation processes, some indicators require further review and improvement; and
- local administrator rights allowed users to make changes to their computers of a reporting entity. The Audit Office found that controls over providing local administrator rights are inadequate and increases the risk that the computers of the users holding local administrator privileges could be compromised and introduce security threats which could remain undetected.

3 COMPUTER INFORMATION SYSTEMS

Introduction

As part of the annual financial audit of agencies, the Audit Office reviews controls over computer information systems that are used to ensure the accuracy, completeness and reliability of information reported in their financial statements.

This chapter includes a summary of the audit findings identified in relation to the information technology general controls used by agencies as well as the controls over specific financial applications.

Conclusion

The Audit Office assessed controls over computer information systems used by agencies to prepare their financial statements as satisfactory. This means that these controls provide reasonable assurance that the information reported by agencies in their financial statements from these systems is reliable, accurate and complete.

There are however control weaknesses that need to be addressed by agencies to further reduce the risk of errors and fraud in their financial information, unauthorised access to sensitive information, and cyber security attacks.

General controls over computer information systems

3.1 General controls over computer information systems include, for example, the overarching policies, procedures and activities used to manage operating systems, networks, user access, data centres and system changes. These controls are particularly important as they can impact on the proper operation of all applications (financial and non-financial) used by ACT Government agencies.

3.2 The general controls implemented by agencies over their computer information systems continue to provide reasonable protection against the risk of:

- errors and fraud in financial information;
- unauthorised access to sensitive information; and
- loss of data and the inability to promptly recover systems in the event of a major disruption or disaster.

3.3 However, there are a few weaknesses that need to be addressed to provide further protection against these risks.

Status of audit findings

3.4 Table 3-1 shows the status of general control audit findings reported to agencies in audit management reports in recent years.

Table 3-1 Status of general controls audit findings

Year	Previously reported	Resolved	Partially resolved	Not resolved	New	Balance
2021-22	2	-	1	1	1	3
2020-21	3	(1)	-	2	-	2
2019-20	4	(1)	-	3	-	3
2018-19	7	(3)	2	2	-	4
2017-18	9	(3)	3	3	1	7

3.5 Of the two previously reported audit findings on general controls, one was partially resolved in 2021-22 and one was not resolved.

3.6 One new audit finding on general controls was identified by the Audit Office during its review in 2021-22.

3.7 The number of general controls audit findings reported to agencies over the last five years has steadily reduced from seven in 2017-18 to three in 2021-22. There have also only been two new audit findings identified during the last five years. This indicates that ACT Government agencies have made improvements in the general control environment over their computer information systems.

Audit findings

3.8 Two of the three audit findings were in relation to information security and one was in relation to change management.

3.9 The findings and the recommendations made to address them are discussed below.

Information security

3.10 To protect the confidentiality, integrity, and availability of information held in computer systems, the security controls over these systems is an important part of every agency's protective security arrangement.

3.11 All agencies have a responsibility to consider how their information technology security arrangements may impact other agency's information security arrangements due to the interconnectivity of information systems across the ACT Government. For example, a weakness in one agency's information technology arrangements that affects the security of the ACT Government network, such as the use of generic user accounts, could also affect the security of other agency's information systems and data that are also accessed on that network.

3.12 A previously reported weakness in controls over information security, relating to application whitelisting, while progressed, is only partially resolved. One new audit finding identified in 2021-22 was regarding controls over the management of access to the ACT Government network. These matters are discussed in detail below.

Whitelisting of applications (finding partially resolved)

3.13 Application whitelisting allows only specified programs to operate on computer systems and prevents the operation of unauthorised or malicious programs (viruses) that may have been downloaded onto a computer from email attachments, portable storage devices or the internet. It reduces the risk of unauthorised access to systems and data from the exploitation of vulnerabilities by malicious programs (e.g. computer viruses).

3.14 The Audit Office first reported in 2014-15 to Digital, Data and Technology Solutions that application whitelisting had not been implemented for desktop or server computer systems operating on the ACT Government network. Digital, Data and Technology Solutions has since partially implemented the Audit Office's recommendation to address this weakness by implementing application whitelisting for Windows Server 2019 and Windows 10 Systems on the ACT Government network.

3.15 In 2021-22, Digital, Data and Technology Solutions conducted a risk assessment on the continuing use of Linux and Solaris servers without application whitelisting and identified and implemented risk control measures. However, the analysis and scoping of viable options to upgrade or re-platform Windows legacy systems are yet to be completed.

3.16 Digital, Data and Technology Solutions agreed with the Audit Office's recommendation to address this remaining weakness.

Inactive user accounts on the ACT Government network (new finding)

3.17 Inactive network user accounts pose a risk to the ACT Government and agencies as these accounts may belong to terminated employees (i.e. employees who have ceased employment) who no longer require and in fact are not permitted access to systems and data. Furthermore, these user accounts are more susceptible to being hacked as the activities undertaken using these accounts are more likely to go unnoticed.

3.18 The ACT Government Cyber Security Policy states ICT systems should ensure that a user's access is suspended after 90 days of inactivity. To ensure that accounts are not mistakenly disabled, Digital, Data and Technology Solutions have adopted a benchmark of 104 days of inactivity prior to disabling user accounts.

3.19 In 2021-22, the Audit Office reported to Digital, Data and Technology Solutions that there were 379 accounts, after excluding expired, exempted, generic accounts and service accounts, which had not been logged into for more than 104 days but remained active on the ACT Government Network without being promptly disabled. Failure to promptly deactivate inactive user accounts increases the risk of unauthorised or fraudulent access to the network, applications and data.

3.20 Digital, Data and Technology Solutions agreed with the Audit Office's recommendation to address this weakness.

Change management

3.21 Controls over changes to computer information systems are essential to provide assurance that:

- changes operate as intended;
- the integrity of systems and data is preserved;
- system performance is maintained; and
- erroneous or fraudulent changes are prevented or detected.

3.22 One previously reported weakness in relation to the reconciliation of system changes has not been resolved. This is discussed below.

Reconciliation of system changes (finding not resolved)

3.23 Reconciling system changes recorded in audit logs to records of authorised changes in the change management system provides assurance that system performance problems or security vulnerabilities caused by unauthorised changes will be identified and rectified in a timely manner.

3.24 Since 2012-13, the Audit Office has reported to Digital, Data and Technology Solutions that reconciliations of system changes recorded in audit logs to records of authorised changes in the change management system are not performed for Government Critical Systems. Digital, Data and Technology Solutions previously advised that they conduct regular manual audits of selected changes to mitigate the risk of unauthorised changes not being detected, however this provides less assurance than a complete reconciliation of all system changes.

3.25 In 2021-22, Digital, Data and Technology Solutions advised that:

> Digital, Data and Technology Solutions has implemented an upgrade of its IT Service Management tool (ServiceNow) which has provided a refreshed Configuration Management Database (CMDB), however automatic detection and reconciliation of discovered changes with logged change records is dependent on a mature CMDB.
>
> Digital, Data and Technology Solutions has exhausted all avenues relating to people, processes, and technology to eliminate the risks associated with this audit finding and have accepted that current manual audit processes of selected changes will continue to mitigate the risks. Continuing to explore further options for fully technological mitigations, or to employ the skilled resources required to manually read and interpret logs for the

approximately 2 100 servers in the ACT Government fleet and reconcile with change records, would not be a good use of public monies.

3.26 The Audit Office therefore recommended that Digital, Data and Technology Solutions formally document the risk and the mitigation strategy associated with not implementing a complete reconciliation of all system changes for Government Critical Systems.

3.27 Digital, Data and Technology Solutions has agreed with the Audit Office's recommendation.

Controls over specific major financial applications

3.28 This section contains a summary of the findings identified during the Audit Office's review of controls over specific major financial applications used by agencies to record transactions included in their financial statements.

3.29 These controls include the policies, procedures and activities used to manage applications and their data and include, for example, controls over data entry and processing, user access, application changes, monitoring of user activities, and data backup and restoration.

3.30 Controls over computer information systems are an important means of providing agencies with assurance that the:

- information used to prepare their financial statements is authentic, accurate and reliable;
- applications operate as intended and in a consistent manner; and
- information maintained by agencies is secure.

3.31 Applications reviewed as part of the financial audits of ACT government agencies include:

- Accounts Payable Invoice Automation Solution (APIAS) – the system used by most ACT Government agencies to automate the recording and approval of supplies and services (administrative) expenditure. The Chief Minister, Treasury and Economic Development Directorate (Shared Services) is responsible for managing this system;
- CHRIS21 – the human resource management information system used by most ACT Government agencies to process and record the salary payments and leave entitlements of ACT public servants. The Chief Minister, Treasury and Economic Development Directorate (Shared Services) is responsible for managing this system;
- Cashlink – several agencies use this system to record amounts received from members of the public for taxes, fees and fines. The Chief Minister, Treasury and Economic Development Directorate (Access Canberra) manages Cashlink;
- Community 2011 – the system used by the Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office) to record revenue such as general rates and land tax;

- Homenet – the system used to process and record rental revenue from public housing tenants and to manage information on social and public housing services. Housing ACT is responsible for the management of Homenet;
- SAS – the school administration system used by ACT public schools to process and record the revenue and expenses of schools. SAS is managed by the Education Directorate and replaced the previous school administration system, MAZE;
- MyWay – the ticketing system used to process and record bus and light rail fare revenue. MyWay is managed by Transport Canberra Operations;
- ORACLE – the financial management information system used by most ACT Government agencies. The Chief Minister, Treasury and Economic Development Directorate (Shared Services) is responsible for managing this system;
- rego.act – the system used to record motor vehicle registrations, drivers' licences, traffic and parking infringement revenue. The Chief Minister, Treasury and Economic Development Directorate (Access Canberra) manages rego.act; and
- TRev – the system used by the Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office) to record taxes and fee revenue (such as payroll tax and stamp duty).

Status of audit findings

3.32 Table 3-2 shows the status of audit findings reported to agencies in audit management reports by application.

Table 3-2 Status of audit findings by application

Application	Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
APIAS	1	(1)	-	-	-	-
CHRIS21	2	-	2	-	-	2
Community 2011	1	-	-	1	-	1
Homenet	2	(2)	-	-	-	-
MyWay	-	-	-	-	1	1
ORACLE	1	-	1	-	-	1
SAS	1	(1)	-	-	1	1
TRev	1	(1)	-	-	-	-
Total	**9**	**(5)**	**3**	**1**	**2**	**6**

3.33 Of the nine previously reported audit findings, the Audit Office found that agencies had resolved five (56 percent) and partially resolved three (33 percent) of these findings. The remaining finding was not resolved.

3.34 Two new findings were identified by the Audit Office during its review of application controls in 2021-22. These were in relation to the MyWay and SAS applications.

3.35 The number of audit findings on controls over specific major financial applications has decreased by three (33 percent) from nine in 2020-21 to six in 2021-22.

Audit findings

3.36 Audit findings in relation to controls over specific major financial applications can be categorised into the following areas:

- information security;
- data processing;
- change management processes; and
- governance arrangements.

3.37 Audit findings in each of these relevant categories are discussed below.

Information security

3.38 Threats to the integrity, confidentiality and availability of information can occur due to electronic transactions (e-commerce) and security exposures such as viruses, intrusions and unauthorised releases of confidential information.

3.39 Information security controls are safeguards to avoid, detect, counteract or minimise security risks to computer information systems. Effective security controls need to be implemented over applications to ensure:

- information recorded in computer applications is authentic (not fraudulent), accurate and available when required;
- the confidentiality and privacy of information stored on applications is maintained and information is only accessed by authorised users; and
- legislative and regulatory requirements and standards are complied with.

3.40 Weaknesses were identified in information security controls relating to monitoring of audit logs, segregation of duties, generic user accounts, and password controls for several applications. These are discussed on the following pages.

Monitoring of audit logs

3.41 Audit logs are system-generated records of activities performed by users. These include, for example, details of users accessing a system, times, dates and locations of access and the various actions performed by users.

3.42 Monitoring of audit logs should be performed on a regular basis to reduce the risk of undetected erroneous or fraudulent changes being made to computer information systems and data. As privileged users can perform actions such as changing system security settings or roles and responsibilities of users, their actions should be regularly reviewed by someone independent of these users to promptly detect fraudulent changes to applications and data.

Community 2011 (finding not resolved)

3.43 Since 2013-14, the Audit Office has reported that the ACT Revenue Office has not documented the procedures for the review of audit logs of changes made by Community 2011 database administrators or performed reviews of these audit logs. In prior years, the ACT Revenue Office advised that the review of audit logs cannot be performed because the current version of the Community 2011 system does not have the functionality to log changes made by the database administrators.

3.44 Since 2018-19, the ACT Revenue Office agreed with the Audit Office's recommendation to:

- formally assess the risk associated with the Community 2011 system not being capable of logging changes made by database administrators. This assessment should be documented and used as a basis for ACT Revenue Office's decision about the timing of the upgrade or replacement of the Community 2011 system to provide this capacity; and
- assess whether other compensating controls or reviews can be implemented that may assist mitigate this risk until the system is upgraded or replaced.

3.45 These recommendations have not been implemented in 2021-22. This weakness increases the risk that erroneous or fraudulent changes to the Community 2011 system and its data will not be promptly detected and addressed.

3.46 The ACT Revenue Office agreed with the audit recommendation and advised that this weakness will be addressed through the upgrade of Community 2011 system which is currently underway and due for completion in 2023.

TRev (finding resolved)

3.47 In 2020-21, Audit Office reported to the ACT Revenue Office that the activities of the system administrators were monitored by an independent officer by reviewing a spreadsheet that the system administrators used to record their activities rather than the TRev system generated audit logs. This limited the integrity of the review process, as the manual record (spreadsheet) that was subject to review by the independent officer was maintained by the users that were being reviewed.

3.48 In 2021-22, the ACT Revenue Office resolved the previously reported audit finding by:

- using system generated audit logs from TRev for the basis of monitoring the activities of system administrators; and
- performing and retaining evidence of the reviews of these audit logs on a quarterly basis by an independent officer.

3.49 This reduces the risk of undetected erroneous and fraudulent changes to the TRev system and its data.

MAZE (finding subsumed into a new finding)

3.50 The Audit Office first reported in 2011-12 that the Education Directorate's school administration system (MAZE) did not have the capability to generate audit logs on user access to the system and changes made to its data and therefore audit logs could not be monitored.

3.51 In 2021-22, MAZE was replaced by School Administration System (SAS), a system capable of generating audit logs for both the application and server environments which host the application. The Audit Office has therefore raised a new audit finding as discussed below that has subsumed unresolved previous audit recommendations relating to the periodic review and monitoring of audit logs.

SAS (new finding)

3.52 In 2021-22, the Audit Office found that despite the SAS System Security Plan (September 2021) identifying a logging strategy and the formalisation of responsibilities for monitoring logs as 'high priority' risk treatments, these are yet to be implemented by the Education Directorate.

3.53 There is a higher risk of undetected inappropriate and fraudulent changes to SAS and its data not being detected and promptly addressed when audit logs of privileged users are not monitored and reviewed.

3.54 The Education Directorate has agreed to address this audit finding.

Segregation of duties

3.55 A key preventative control in mitigating the risks of unauthorised and potentially fraudulent activities in computer information systems is to segregate incompatible duties between users. For example, duties assigned to users should be appropriately segregated so a single user cannot initiate and complete a transaction.

ORACLE (finding partially resolved)

3.56 The Audit Office first reported to Shared Services in 2017-18 that staff in the Financial Applications Support Team (FAST), who are the ORACLE system administrators, have the ability to create new user profiles in ORACLE without the need for secondary approval.

3.57 While ORACLE controls require two user accounts to authorise updates to vendor records and to pay an invoice, the system administrators could create multiple user accounts without secondary approval to by-pass these controls. Therefore, system administrators could for example, make fraudulent payments by creating two fictitious user accounts with the required functionality to update and approve changes to vendor records, and approve payments to a chosen bank account. On this basis, the Audit Office has recommended that Shared Services remove the ability of the system administrators to create user profiles without secondary approval.

3.58 In 2018-19, Shared Services advised that the current version of ORACLE does not have the functionality to restrict system administrators from creating user accounts without secondary approval. Therefore, the Audit Office recommended that in the absence of system based preventative controls Shared Services should:

- document its risk assessment in the ORACLE System Security Plan; and
- include the requirement for system based controls which would prevent a system administrator from being able to create and use multiple user accounts in any future upgrade or replacement of the ORACLE application.

3.59 In 2021-22, Shared Services updated and endorsed the ORACLE System Security Plan to include a risk assessment on the continuing use of the ORACLE application without system based preventative controls over segregation of duties. However, Shared Services advised that no changes to system-based controls over segregation of duties would be made until after the future upgrade had been completed.

3.60 Shared Services has advised that it is examining options for its financial systems and will ensure that this requirement is included in any future system development.

Generic (shared) user accounts

3.61 A generic (shared) user account refers to a single unique login account that is used by more than one person. These accounts compromise ICT security because they reduce the ability to trace the actions of a user to a specific person. There is a higher risk of unauthorised or fraudulent access to data and applications when generic user accounts are used.

CHRIS21 (finding partially resolved)

3.62 Since 2013-14, the Audit Office has reported to Shared Services that a few (four) staff can make changes to electronic funds transfer (EFT) payment files (i.e. salary payments) from the human resource information management system (CHRIS21) via a generic (shared) user account before they are sent to the bank for processing. Ideally, no user should have access to the directory that allows them to change the EFT payment files because this enables erroneous or fraudulent payments to be made. Shared Services advised this access is required for operational reasons.

3.63 Shared Services has partially resolved this finding in recent years by implementing mitigating controls, such as restricting access to only a few staff and performing reviews of audit logs of user activity in the directory containing EFT payment files. However, as the CHRIS21 EFT payment files can still be changed via a shared user account, it reduces management's ability to trace users' actions, including fraudulent changes, to a specific individual. This weakness continues to exist in 2021-22.

3.64 Due to limitations in CHRIS21, Shared Services has advised that they will address this weakness as part of the project to procure a new Human Resources Information Management System which is expected to be operational in 2023-24.

Password Controls

3.65 Strong password controls are fundamental to system security as they reduce the likelihood of unauthorised access to a network or application. For example, passwords with greater complexity are less likely to be guessed or cracked.

3.66 The ACT Government's Password Standard requires passwords to contain a combination of lowercase and uppercase letters, numbers and special characters. When users change their passwords, a message is displayed on the screen which states the necessary complexity for the password.

3.67 While weaknesses in password controls relating to the Homenet system was addressed in 2021-22, one similar new weakness was identified in relation to the MyWay system. This is discussed below.

Homenet (finding resolved)

3.68 In 2021-22, Housing ACT resolved a previously reported weaknesses relating to the password settings for the Homenet system by strengthening the password parameters for Homenet to comply with the ACT Government's Password Standard and Homenet ICT Security Plan.

3.69 This reduces the risk of unauthorised and possibly fraudulent access to Homenet and its data.

MyWay (new finding)

3.70 In 2021-22, the Audit Office reported to Transport Canberra Operations that the MyWay system's password controls are non-compliant with the ACT Government's Password Standard and its own ICT Security Plan.

3.71 MyWay system's password length is set at a minimum of eight characters as opposed to the ten alphanumeric characters recommended by the ACT Government's Password Standard and MyWay's ICT Security Plan. This increases the risk of unauthorised and possibly fraudulent access to the system.

3.72 Transport Canberra Operations has advised that the weaknesses in relation to the MyWay system's password settings have since been addressed.

Data processing

3.73 Data processing is important as the data contained in any IT system is only as good as the quality and accuracy of the data entered into it. Controls over data processing are therefore required to provide assurance over the completeness, accuracy, and validity of data within systems.

3.74 The manual entry of data from one system to another can be slow, resource intensive and prone to human error. Therefore, where possible, automated processes should be used to reduce the risk of error, save time and consequently reduce costs.

3.75 A weakness remains in data processing controls relating to the CHRIS21 application. This is discussed below.

CHRIS21 (finding partially resolved)

3.76 Since 2015-16, the Audit Office has reported to Shared Services that the time and leave recording module of the human resources information management system (CHRIS21) does not support the recording of timesheet and leave data (e.g. personal leave, annual leave and long service leave) for casual and shift workers. As a result, some ACT Government agencies use their own systems (e.g. PROACT (ACT Health Directorate) and KRONOS (Justice and Community Safety Directorate)) to record timesheet and leave data for casual and shift workers.

3.77 While timesheet data is uploaded into CHRIS21 from each of these systems largely via an automated process, leave data for the PROACT and KRONOS systems can only be manually entered by the Shared Services payroll team into CHRIS21.

3.78 In 2019-20, Shared Services partially resolved this finding by automating the process of importing leave data from the PROACT system into CHRIS21 for the majority of the casual and shift working staff. However, leave data from the KRONOS system was still manually entered into CHRIS21.

3.79 This weakness continued to exist in 2021-22.

3.80 Shared Services has agreed with the Audit Office's recommendations to address this weakness as part of the planned replacement of CHRIS21 with the new Human Resources Information Management Solution which is expected to be operational in 2023-24. Shared Services has advised that in the interim, it will continue to work with the Directorates to identify potential areas of opportunity to further automate leave application and processing via the establishment of a dedicated work team with a focus on reducing manual entry.

Change management processes

3.81 Defined and controlled procedures and processes for making changes to applications are needed so that:

- appropriate changes are made to an application and the integrity of the application, and the associated data is maintained;
- applications operate as intended and can be used as required; and
- the risk of unauthorised, untested or unintended changes that may have an adverse effect on the performance of applications and create security vulnerabilities are minimised.

3.82 An unauthorised change refers to any change to an application that has not been subject to an approved change management process.

3.83 The ACT Government ICT Change Management Policy requires changes to systems be documented in a test plan before being implemented. Changes should be tested in accordance with an approved test plan and the results documented, including the resolution of any problems identified during testing.

3.84 A previously identified weakness in change management controls relating to the APIAS application was addressed in 2021-22. This is discussed below.

APIAS (finding resolved)

3.85 The Audit Office first reported to Shared Services in 2017-18 that there was no process in place for the third-party service provider supporting APIAS to send system generated audit logs of changes made to APIAS to Shared Services for reconciliation to approved changes recorded in the change management system.

3.86 In its response to the audit finding, Shared Services previously advised that the system does not have the capacity to produce a system generated log of changes and agreed with the Audit Office's recommendation to:

- assess the risk of not reconciling system generated audit logs of changes made to APIAS to approved changes in the change management system and document this in the APIAS System Risk Management Plan; and
- implement identified risk treatment strategies like the regular reviews of the 'Version Log' to monitor any unplanned changes to the system and retaining evidence of the reviews.

3.87 In 2021-22, Shared Services resolved this previously reported audit finding by implementing the above audit recommendations. This reduces the risk of undetected erroneous and fraudulent changes to the APIAS application.

Governance arrangements

3.88 Governance arrangements relate to the processes used by agencies to manage their computer applications to achieve their objectives in an efficient and effective manner. They include, for example, security risk management plans which outline how security risks will be managed for applications, and vendor support agreements for applications and the operating systems that support them.

3.89 A previously identified weakness in governance arrangements relating to the Homenet application was addressed in 2021-22. This is discussed below.

Vendor Support for applications

3.90 A vendor support agreement governs the ongoing maintenance and support of business critical software. It includes arrangements associated with version updates and patching to mitigate the risk of security vulnerabilities and address any system performance issues.

Homenet (finding resolved)

3.91 In 2020-21, the Audit Office reported to Housing ACT that the vendor support agreement between Housing ACT and the vendor for the provision of the support and maintenance of the Homenet System has expired.

3.92 In 2021-22, Housing ACT resolved the previously reported audit finding by renewing its vendor support agreement. This reduces the risk that Housing ACT will be unable to promptly address concerns about the quality of services being provided, settle disputes with the supplier and/or resolve software problems such as version updates and patching to mitigate the risk of security vulnerabilities associated with the Homenet System.

4 FINANCIAL RESULTS AND AUDIT FINDINGS OF SELECTED REPORTING AGENCIES

4.1 This chapter contains a discussion of the financial results of selected reporting agencies and, where applicable, compares these results to budget estimates. It also provides details of audit findings reported in audit management reports provided to these reporting agencies.

4.2 Reporting agencies were selected on the basis of their financial significance or where their audit findings were considered to warrant public reporting.

ACT Health Directorate

4.3 The ACT Health Directorate (Directorate) is responsible for the planning and development of Territory-wide health strategy and policy, implementing health prevention, promotion, and protection services, as well as health population planning and research. The Directorate led the Territory's response to the COVID-19 pandemic and the implementation of vaccination programs.

4.4 The Directorate also undertakes the design, procurement, delivery, management and support for all critical health information systems and software used by the ACT public health system.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The net cost of the Directorate's services ($332 million) was $26 million (8 percent) higher than budgeted ($306 million) due to higher expenses relating to the public health emergency response to COVID-19 partially offset by the higher funding from the ACT Local Hospital Network Directorate for the Territory's response to the COVID-19 pandemic.
- Government contributions ($291 million) were $16 million (6 percent) higher than the budgeted amount ($275 million) due to additional contributions received in 2021-22 to support the Territory's response to the COVID-19 pandemic.
- Capital injections ($42 million) were $18 million (30 percent) lower than budgeted ($60 million) mainly due to deferrals and delays in capital infrastructure projects such as the Notifiable Disease Response Management System, Digital Health Record project and Northside Hospital Development.

Financial results

Table 4-1 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(539)	(450)	(395)
Income	207	144	125
Net cost of services	**(332)**	**(306)**	**(270)**
Government contributions	291	275	249
Operating deficit	**(41)**	**(31)**	**(21)**
Capital injections	**42**	**60**	**33**

4.5 The Directorate's expenses mainly consist of employee expenses, supplies and services costs, and transfers to the ACT Local Hospital Network Directorate. These transfers include cross-border health receipts which are passed on to the ACT Local Hospital Network Directorate.

4.6 Cross-border health costs for the treatment of interstate residents in ACT public hospitals and for ACT residents treated in interstate public hospitals are settled by joint arrangements in place between the Territory and the other states and the Northern Territory.

4.7 Expenses ($539 million) were higher than the budgeted amount ($450 million) by $89 million (20 percent) mainly due to higher than anticipated:

- employee expenses and supplies and services costs relating to the public health emergency response to COVID-19; and
- transfers to the ACT Local Hospital Network Directorate resulting from higher number of interstate residents being treated in ACT public hospitals and the finalisation of several prior year cross-border health reconciliations in 2021-22.

4.8 The Directorate receives income mostly from transfer revenue and public health services funding from the ACT Local Hospital Network Directorate.

4.9 Income ($207 million) exceeded the budgeted amount ($144 million) by $63 million (44 percent) due to higher than anticipated:

- funding from the ACT Local Hospital Network Directorate for the Territory's response to the COVID-19 pandemic; and

- cross-border health receipts resulting from higher number of interstate residents being treated in ACT public hospitals and the finalisation of several prior year cross-border health reconciliations in 2021-22. This income is then transferred to the ACT Local Hospital Network Directorate, as previously discussed.

4.10 The net cost of the Directorate's services ($332 million) was $26 million (8 percent) higher than budgeted ($306 million) largely due to higher expenses relating to the public health emergency response to COVID-19 partially offset by the higher funding from the ACT Local Hospital Network Directorate for the Territory's response to the COVID-19 pandemic.

4.11 Government contributions ($291 million) were $16 million (6 percent) higher than the budgeted amount ($275 million) due to additional contributions received in 2021-22 to support the Territory's response to the COVID-19 pandemic.

4.12 Capital injections ($42 million) were $18 million (30 percent) lower than budgeted ($60 million) mainly due to deferrals and delays in capital infrastructure projects such as the Notifiable Disease Response Management System, Digital Health Record project and Northside Hospital Development.

ACT Insurance Authority

4.13 Under the *Insurance Authority Act 2005,* the ACT Insurance Authority (Authority) is the insurer of major risks faced by the Territory and ACT Government agencies. It also purchases insurance from external insurance providers to cover catastrophic risks such as natural disasters and medical malpractice.

4.14 The Authority settles insurance claims on behalf of the Territory and ACT Government agencies, promotes better practices in risk management to ACT Government agencies, and provides advice to the Minister about insurance and management of the Territory's risks.

Summary

- The Audit Office issued an unmodified auditor's report on the Authority's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The Authority incurred an operating deficit of $41 million compared to the budgeted operating surplus of $21 million mainly due to a loss from investments and higher than expected net insurance claims expenses.
- The Authority had sufficient assets to meet estimated insurance claims liabilities at 30 June 2022.

Financial results

Table 4-2 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Gross premiums	62	62	49
Other revenue	4	5	6
Net returns from investments	(21)	19	48
Income	**45**	**86**	**103**
Net incurred claims	(65)	(42)	(44)
Reinsurance and other expenses	(21)	(23)	(16)
Expenses	**(86)**	**(65)**	**(60)**
Operating (deficit)/surplus	**(41)**	**21**	**43**

4.15 Income mostly comprises insurance premiums collected from ACT Government agencies and net returns from investments.

4.16 Income ($45 million) was lower than the budgeted amount ($86 million) by $41 million (48 percent) mainly due to a loss on investments resulting from poor performance of global financial markets.

4.17 Net incurred claims are made up of insurance claims expenses consisting of insurance claims settlement payments, changes in the actuarial estimate of insurance claims liabilities less claim related recoveries from reinsurance and third parties.

4.18 The estimate of insurance claims liabilities is affected by ACTIA's claims experience, specifically the number of claims and size of insurance claims received, amounts paid to settle claims, and discount and inflation rates used to estimate the present value of future insurance claims payments.

4.19 Net incurred claims ($65 million) were higher than the budget amount ($42 million) by $23 million (55 percent). This was mainly due to higher than expected actual claims payments, partially offset by a reduction in the estimated claim recoveries from reinsurance and third parties.

4.20 The Authority incurred an operating deficit of $41 million compared to the budgeted operating surplus of $21 million mainly due to lower revenue and higher expenses discussed above.

Financial position

Table 4-3 Net assets

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Total assets	399	479	447
Total liabilities	(330)	(344)	(334)
Net assets	**69**	**135**	**113**
Ratio of total assets to total liabilities	**1.2 to 1**	**1.4 to 1**	**1.3 to 1**

4.21 The Authority aims to hold sufficient assets to meet estimated insurance claims liabilities.

4.22 The Authority continued to have sufficient assets to cover its liabilities at 30 June 2022. Its net asset position at 30 June 2022 ($69 million) is lower than the budgeted net asset position ($135 million) by $66 million (49 percent) mainly due to the loss on the fair value of investments from poor performance of global financial markets.

ACT Local Hospital Network Directorate

4.23 The ACT Local Hospital Network Directorate (Directorate) is administered by the Director-General of the ACT Health Directorate. Information on the ACT Health Directorate is provided earlier in this chapter.

4.24 Under the National Health Reform Agreement the Directorate receives funding from the Commonwealth, the ACT and other state and territory governments, through the National Health Funding Pool. This funding allows the Directorate to purchase public hospital services from the Canberra Health Services, Calvary Health Care ACT Limited and Tresillian Family Care Centres.

4.25 Under the National Partnership on COVID-19 Response Agreement (March 2020), the Commonwealth and the respective state or territory government pay an equal share of the cost of treating patients diagnosed with COVID-19 in their respective state or territory including funding for activities that help reduce the spread of COVID-19. In February 2021, the agreement was amended to include the coordination and delivery of COVID-19 vaccines.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- Expenses ($1 692 million) were higher than the budgeted amount ($1 606 million) by $86 million (5 percent) largely due to higher than anticipated payments to:
  - Canberra Health Services and Calvary Public Hospital relating to the increase in hospital activities due to COVID-19 'Delta' and 'Omicron' outbreaks in the Territory; and
  - ACT Health Directorate to facilitate the public health emergency response to COVID-19 including coordinating quarantine facilities, pop-up testing clinics and additional special purpose cleaning services, under the terms of the National Partnership on COVID-19 Response Agreement.
- The Directorate's net cost of services ($1 563 million) was $73 million (5 percent) higher than the budgeted net cost of services ($1 490 million) largely due to higher than expected expenditure associated with COVID-19 hospitalisation and treatment and the Territory's response to the COVID-19 pandemic.
- Contributions from the Commonwealth Government and ACT Government were $25 million (5 percent) and $37 million (4 percent) higher than the budgeted amounts respectively primarily due to additional contributions received in 2021-22 to support the Territory's response to the COVID-19 pandemic.

Financial results

Table 4-4 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(1 692)	(1 606)	(1 494)
Cross-border (interstate) health revenue	129	116	119
Net cost of services	**(1 563)**	**(1 490)**	**(1 375)**
Commonwealth Government contributions	542	517	465
ACT Government contributions	1 010	973	908
Operating deficit	**(11)**	**-**	**(2)**

4.26 The Directorate's expenses primarily consist of public hospital and health services payments to Canberra Health Services and Calvary Public Hospital.

4.27 Expenses ($1 692 million) were higher than the budgeted amount ($1 606 million) by $86 million (5 percent) largely due to higher than anticipated payments to:

- Canberra Health Services and Calvary Public Hospital relating to the increase in hospital activities due to COVID-19 'Delta' and 'Omicron' outbreaks in the Territory; and
- ACT Health Directorate to facilitate the public health emergency response to COVID-19 including coordinating quarantine facilities, pop-up testing clinics and additional special purpose cleaning services, under the terms of the National Partnership on COVID-19 Response Agreement.

4.28 Cross-border (interstate) health revenue is received by the Directorate from other Australian states and the Northern Territory for treating their residents in the ACT public hospital system under cross-border (interstate) health arrangements.

4.29 Cross-border (interstate) health revenue ($129 million) was higher than the budgeted amount ($116 million) by $13 million (11 percent) largely due to higher than anticipated number of interstate residents being treated in ACT public hospitals and the finalisation of several prior year cross-border health reconciliations in 2021-22.

4.30 The Directorate's net cost of services ($1 563 million) was $73 million (5 percent) higher than the budgeted net cost of services ($1 490 million) largely due to higher than expected expenditure associated with COVID-19 hospitalisation and treatment and the Territory's response to the COVID-19 pandemic as previously discussed.

4.31 The Directorate receives contributions from the Commonwealth and the ACT Governments to fund public hospital services. Contributions from the Commonwealth Government and ACT Government were $25 million (5 percent) and $37 million (4 percent) higher than the budgeted amounts respectively primarily due to additional contributions received in 2021-22 to support the Territory's response to the COVID-19 pandemic, under the National Partnership on COVID-19 Response Agreement.

ACTEWAGL Joint Venture

4.32 The ActewAGL Joint Venture (ActewAGL) sells energy (electricity and gas) to customers in the ACT and surrounding regions. ActewAGL also owns and operates the energy networks which provide energy to these customers.

4.33 ActewAGL consists of the ActewAGL Retail Partnership and ActewAGL Distribution Partnership. The Territory's 50 percent interest in the ActewAGL Retail Partnership and ActewAGL Distribution Partnership is held by Icon Water Limited (Icon Water) through its subsidiaries, Icon Retail Investments Limited and Icon Distribution Investments Limited. Icon Water is discussed later in this chapter.

Summary

- The Audit Office issued unmodified auditor's reports on the 2021-22 financial reports of the ActewAGL Joint Venture, ActewAGL Retail Partnership and ActewAGL Distribution Partnership.
- ActewAGL's profit in 2021-22 ($269 million) was $187 million (228 percent) higher than the profit generated in 2020-21 ($82 million). This was mainly due to the increase in electricity network charges to recover the additional prior year feed-in tariff payments and the decrease in feed-in tariff payments required to be made to large scale renewable energy generators due to the significant increase in the average wholesale spot price for electricity.
- ActewAGL had sufficient short-term assets to meet its short-term liabilities as at 30 June 2022.
- ActewAGL resolved two of the three previously reported audit findings by implementing regular processes to resolve variances and long-standing credits in the accounts receivable subledger, and formal monitoring controls for changes made to key billing systems.
- ActewAGL partially resolved the one remaining previously reported audit finding relating to its aging Financial Management Information System.

Financial results

Table 4-5 Key results

	Actual 2021-22 $m	Actual 2020-21 $m
Income	979	871
Expenses	(710)	(789)
Profit	**269**	**82**

	Actual 2021-22 $m	Actual 2020-21 $m
Distributions paid to partners	172	62
Distributions paid to Icon Water (50 percent)	86	31

4.34 The majority of ActewAGL's income comes from the sale and distribution of electricity and gas (energy).

4.35 Expenses largely consist of energy purchases and network distribution costs, employment costs, depreciation and amortisation, and other operating costs.

4.36 ActewAGL's profit in 2021-22 ($269 million) was $187 million (228 percent) higher than the profit generated in 2020-21 ($82 million). This was mainly due to an:

- increase in electricity network charges to recover the additional prior year feed-in tariff payments; and
- decrease in feed-in tariff payments required to be made to large scale renewable energy generators due to the significant increase in the average wholesale spot price for electricity.

4.37 Distributions paid to Icon Water ($86 million) increased by $45 million (145 percent) from the prior year ($31 million) due to the higher profit in 2021-22.

Financial position

Table 4-6 Net short-term assets

At 30 June	Actual 2022 $m	Actual 2021 $m
Short-term assets	407	292
Short-term liabilities	289	230
Net short-term assets	**118**	**62**
Ratio of short-term assets to short-term liabilities	**1.4 to 1**	**1.3 to 1**

Note: The short-term assets position shown in the table above is the position after payment of distributions to partners of ActewAGL.

4.38 ActewAGL had sufficient short-term assets to meet its short-term liabilities as at 30 June 2022.

Audit findings

Table 4-7 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
3	(2)	1	-	-	1

4.39 ActewAGL has resolved two of the three previously reported audit findings by implementing:

- regular processes to resolve variances and long-standing credits in the accounts receivable subledger which improved the accuracy of financial information and reduced the risk of fraudulent transactions going undetected; and
- formal monitoring controls to identify and subsequently ensure appropriate authorisation and testing has occurred for any changes ActewAGL's key billing systems.

4.40 The one remaining partially resolved audit finding relates to the aging Financial Management Information System (FMIS). An approved project is currently underway for the upgrade of ActewAGL's FMIS which will provide additional system functionality and streamline a number of key financial accounting and reporting processes.

4.41 ActewAGL's agreed to address this audit finding and advised:

> We are currently finalising the evaluation and selection of the preferred system integrator for the upgrade of the current Oracle on premise finance system to the cloud platform. The FMIS upgrade will provide additional system functionality and reduce the need for manual workarounds while also streamlining a number of key financial accounting and reporting processes.

Canberra Health Services

4.42 Canberra Health Services (Directorate) is responsible for the provision of public hospital and health services to residents of the ACT and surrounding regions through its public hospitals, walk-in centres and community health centres.

4.43 Public hospital and health services are mostly paid for by funding received from the ACT Local Hospital Network Directorate. Information on the ACT Local Hospital Network Directorate is discussed earlier in this chapter.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- Expenses ($1 614 million) were $63 million (4 percent) higher than budgeted amount ($1 551 million) largely due to higher than anticipated employee expenses and supplies and services costs as a result of the ongoing public health response to COVID-19.
- Income ($1 575 million) exceeded the budgeted amount ($1 502 million) by $73 million (5 percent) mainly due to additional funding received from the ACT Local Hospital Network Directorate, under the National Partnership on COVID-19 Response Agreement, to meet the higher cost and demand for public hospital and healthcare services, testing and vaccination programs.
- The Directorate's operating deficit ($39 million) was lower than the budgeted deficit ($49 million) by $10 million (20 percent) as higher income received from the ACT Local Hospital Network Directorate was mostly offset by higher expenses as a result of the ongoing public health response to COVID-19.
- Capital injections ($46 million) were $22 million (32 percent) lower than the budgeted amount ($68 million) largely due to deferrals and delays in capital works projects such as the expansion of the Centenary Hospital for Women and Children as a result of COVID-19 and, workforce and materials supply chain constraints.
- One new audit finding was identified in 2021-22 relating to the timely review of fortnightly salary reports.

Financial results

Table 4-8 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(1 614)	(1 551)	(1 473)
Income	1 575	1 502	1 427
Operating deficit	**(39)**	**(49)**	**(46)**
Capital injections	**46**	**68**	**53**

4.44 The Directorate's expenses mostly consist of employee expenses and supplies and services costs, such as medical, clinical and pharmaceutical supplies. These also include resources received free of charge for ICT support provided by the ACT Health Directorate.

4.45 Expenses ($1 614 million) were $63 million (4 percent) higher than budgeted amount ($1 551 million) largely due to higher than anticipated employee expenses and supplies and services costs as a result of the ongoing public health response to COVID-19 pandemic.

4.46 The Directorate receives income mostly from public hospital and healthcare services funding from the ACT Local Hospital Network Directorate.

4.47 Income ($1 575 million) exceeded the budgeted amount ($1 502 million) by $73 million (5 percent) primarily due to additional funding received from the ACT Local Hospital Network Directorate to meet the higher cost and demand for public hospital and healthcare services, testing and vaccination programs, under the National Partnership on COVID-19 Response Agreement.

4.48 The Directorate's operating deficit ($39 million) was lower than the budgeted deficit ($49 million) by $10 million (20 percent) as higher income received from the ACT Local Hospital Network Directorate was mostly offset by higher expenses as previously discussed.

4.49 Capital injections ($46 million) were $22 million (32 percent) lower than the budgeted amount ($68 million) largely due to deferrals and delays in capital works projects such as the expansion of the Centenary Hospital for Women and Children as a result of COVID-19 and, workforce and materials supply chain constraints.

Audit findings

Table 4-9 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
-	-	-	-	1	1

4.50 One new audit finding was identified in 2021-22 as the Directorate did not review fortnightly salary reports in a timely manner. The lack of timely review of payroll reports increases the risk that incorrect or fraudulent employee payments will not be promptly detected and addressed.

4.51 The Directorate agreed to address this audit finding and advised:

> CHS will dedicate a resource to provide focused and early reminders to approvers to action the review of salary reports. This will be in support of the dashboard reports. It is expected that the timeliness of salary approvals will improve significantly.

Canberra Institute of Technology

4.52 The Canberra Institute of Technology (Institute) is the Registered Training Organisation (RTO) responsible for providing vocational and tertiary education services to Australian and international students. The Institute also provides training programs to public and private sector organisations.

Summary

- The Audit Office issued an unmodified auditor's report on the Institute's 2021 financial statements and an unmodified limited assurance report on its 2021 statement of performance.
- The net cost of the Institute's services ($87 million) was consistent with the budgeted cost ($85 million).
- The Institute resolved the one previously reported audit finding relating to the approval of waivers.

Financial results

Table 4-10 Key results (calendar years)

	Actual 2021 $m	Budget 2021 $m	Actual 2020 $m
Expenses	(123)	(127)	(122)
Income	36	42	31
Net cost of services	**(87)**	**(85)**	**(91)**
Government contributions	75	78	80
Operating deficit	**(12)**	**(7)**	**(11)**

4.53 Expenses consists mainly of employee costs and administrative costs such as information technology, contractors, repairs and maintenance of campus facilities, and teaching materials. Expenses ($123 million) were slightly lower than the budgeted amount ($127 million) mainly due to COVID-19 pandemic restrictions resulting in fewer on-campus training courses being provided.

4.54 Income mainly consists of funding provided by the ACT Government for students undertaking funded courses, domestic and international student fees and rental income. Income ($36 million) was $6 million (14 percent) lower than budgeted amount ($42 million). This was mainly due to the ongoing impacts of the COVID-19 pandemic and lower than anticipated revenue recognised under the Job Trainer initiative as less than expected students completed the listed courses.

4.55 The Institute's net cost of services ($87 million) was consistent with the budgeted cost ($85 million) and Government contributions ($75 million) were only $3 million lower than the budgeted amount ($78 million).

Audit findings

Table 4-11 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
1	(1)	-	-	-	-

4.56 The Institute resolved the one previously reported audit finding in relation to the approval of waivers.

4.57 In 2020, the Audit Office reported that there was no evidence that rental waivers provided by the Institute to its subsidiary CIT Solutions Pty Ltd and students, had been approved by the Chief Executive Officer. While no waivers were provided in 2021, the Institute has advised that it has educated its staff members on the requirements regarding the documentation for the approval of waivers as outlined in the 'Chief Executive Officer Financial Instructions' and 'Financial Delegations Matrix'. This reduces the risk of erroneous, inappropriate or fraudulent waivers.

Cemeteries and Crematoria Authority

4.58 The Cemeteries and Crematoria Authority (Authority) was established on 23 August 2020 under the *Cemeteries and Crematoria Act 2020* (Act). The Authority previously operated as the ACT Public Cemeteries Authority under the *Cemeteries and Crematoria Act 2003*.

4.59 The Authority is responsible for managing and operating public cemeteries in Gungahlin, Woden and Hall, the Mausoleum at the Woden Cemetery and the crematorium at the Gungahlin Cemetery.

4.60 A Perpetual Care Trust (Trust) has been established under the Act for the long-term maintenance of the cemeteries facilities operated by the Authority. The Act requires a percentage of the Authority's revenue from operating the facilities to be paid into the Trust for the purpose of maintaining the facility to an acceptable standard in the future.

Summary

- The Audit Office issued a modified auditor's report with an adverse opinion on the Authority's 2021-22 financial statements as it did not record assets of $10.9 million and liabilities of $45.2 million as at 30 June 2022. The impact of this was assessed as both material and pervasive to the financial statements. Therefore, the auditor's report stated that the financial statements did not:
  - present fairly, in all material respects, the Authority's financial position as at 30 June 2022, and its financial performance and cash flows for the year then ended; and
  - present in accordance with the *Financial Management Act 1996* nor do they comply with Australian Accounting Standards.
- The Audit Office issued an unmodified limited assurance report on the Authority's 2021-22 statement of performance.
- Four new audit findings, two relating to reporting matters and two relating to internal controls, were identified during the 2021-22 audit. The Authority has agreed to address these matters.

Modified auditor's report with an adverse opinion

4.61 In June 2022, the Chief Minister, Treasury and Economic Development Directorate issued a 'Third Party Monies' policy (Policy) that required agencies to assess funds held by them against the criteria included in the Policy and to determine whether any amounts should be reported in their 2021-22 financial statements.

4.62 The Authority pays contributions relating to the Trust to the ACT Public Trustee and Guardian in accordance with the Act. At 30 June 2022, $10.9 million in funds were held by the Public Trustee and Guardian for the Trust.

4.63 The Transport Canberra and City Services Directorate (TCCSD), as the regulator under the Act, obtained external accounting advice with the Authority, to assess the reporting requirements of these funds against the Policy and the relevant Australian Accounting Standards. The advice concluded that the Authority's financial statements should record:

- an asset in relation to the $10.9 million in funds held by the Public Trustee and Guardian as the control criterion in the accounting standards has been met; and
- a liability in the form of a provision for the long-term maintenance of cemeteries of $45.2 million as the legislative requirement to maintain the facility to an acceptable standard creates an obligation under the accounting standards on the Authority.

4.64 The advice also concluded that these amounts should have been recognised in the prior periods in accordance with Australian Accounting Standard AASB 108: 'Accounting Policies, Changes in Accounting Estimates and Errors' as they are material to the Authority's financial statements of previous reporting periods.

4.65 The Authority reported assets and liabilities of $18.1 million and $10.9 million respectively in its 2021-22 financial statements submitted for audit. The Authority disagreed with the accounting advice and decided not to amend the financial statements which resulted in an understatement of assets and liabilities of $10.9 million and $45.2 million respectively as at 30 June 2022.

4.66 If the Authority had amended its financial statements, the assets and liabilities of $18.1 million and $10.9 million would have been reported as $29.0 million and $56.1 million respectively at 30 June 2022.

4.67 As the above adjustment was both material and pervasive to the financial statements, the Audit Office issued a modified auditor's report with an adverse opinion on the financial statements. The auditor's report stated that the financial statements did not:

- present fairly, in all material respects, the Authority's financial position as at 30 June 2022, and its financial performance and cash flows for the year then ended; and
- present in accordance with the *Financial Management Act 1996* nor did they comply with the Australian Accounting Standards.

4.68 In relation to the above matter, the Authority advised that:

> This matter was raised in early August 2022 after the Authority had provided its 2021-22 financial statements for audit on 15 July 2022. TCCSD engaged GAAP Consulting to provide advice on the accounting treatment of the Perpetual Care Trust. This final advice was received on the 29 September 2022.
>
> The Board held two extraordinary meetings in six days in early October 2022 to review the opinion. The Board are of the view that the interpretation by the consultant, of the wording and intent of the *Cemeteries and Crematoria Act 2020* (Act) was fundamentally flawed and incorrect. Based on this view the Board resolved not to incorporate the Perpetual Care Trust assets and liabilities into its 2021-22 financial statements.

The Authority agrees that the matter needs to be resolved and is working with TCCSD to obtain legal advice from the Government Solicitors Office on a number of aspects of the consultants advice and their interpretation of the Act. Upon receiving this advice, a strategy will be developed to finalise the matter.

Audit findings

Table 4-12 Audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
1	(1)	-	-	4	4

4.69 In 2020-21, the Audit Office reported that the quality assurance processes over the preparation of the Management Discussion and Analysis (MD&A) needed improvement. The Authority resolved this previously reported audit finding by improving the quality of its MD&A by ensuring it was free of errors and was consistent with the financial statements.

4.70 Four new audit findings were identified during the 2021-22 audit. They were relating to:

- the modified auditor's report with an adverse opinion previously discussed. The Audit Office recommended that the Authority should reassess its position in relation to the accounting treatment of the funds held by the Public Trustee and Guardian and the obligation for the long-term maintenance responsibilities of the cemeteries;
- a weakness in the revenue system (Stone Orchard) where key updates and changes were not reviewed and documented as such by an independent officer. This increases the risk that correct amounts may not be collected for a range of services provided by the Authority, including burial, cremation and memorialisation services;
- the preparation and independent review of account reconciliations between the general ledger and bank, payroll and revenue systems. Some reconciliations were not always performed and/or reviewed on a timely basis. This increases the risk that errors or irregularities (including fraud) will not be promptly identified and corrected; and
- processes for identifying and disclosing related party transactions when key management personnel do not provide written confirmation. The current processes do not provide reasonable assurance that the disclosure of transactions between the Authority and its key management personnel is complete and accurate in accordance with Australian Accounting Standard AASB 124: Related Party Disclosures.

4.71 The Authority has agreed to address the above matters.

Chief Minister, Treasury and Economic Development Directorate

4.72 The Chief Minister, Treasury and Economic Development Directorate (Directorate) provides strategic advice and support on policy development to the ACT Public Service.

4.73 The Directorate is responsible for planning, developing, coordinating and implementing key ACT Government policies and strategies. Some other key responsibilities include the overall financial, budget, revenue and economic management of the Territory.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements.
- The unmodified limited assurance report on the Directorate's 2021-22 statement of performance included an emphasis of matter referring to an accountability indicator where the result had not been measured in accordance with the *Financial Management Act 1996*.
- The net cost of the Directorate's services ($913 million) was $12 million higher than the budgeted amount ($901 million) mainly due to lower revenue resulting from revenue foregone due to events being cancelled or restrictions placed on the number of attendees.
- Government contributions ($848 million) were consistent with the budgeted amount ($843 million).
- The Directorate resolved one of the three previously reported audit findings relating to the quality of accounting workpapers. One remaining audit finding relating to the usefulness of accountability indicators reported in the statement of performance was partially resolved and one audit finding relating to the review of salary reports was not resolved.
- One new audit finding was identified in the 2021-22 audit relating to an accountability indicator where the result had not been measured in accordance with the *Financial Management Act 1996*.

Financial results

Table 4-13 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses excluding assets transferred to other ACT Government agencies and transfers to Government	(1 202)	(1 203)	(764)
Income	289	302	327
Net cost of services	**(913)**	**(901)**	**(437)**
Government contributions	848	843	419
Transfers to Government	(10)	(10)	-
Assets transferred to other ACT Government agencies	(12)	(5)	(10)
Operating deficit	**(87)**	**(73)**	**(28)**

4.74 The Directorate's expenses, excluding assets transferred to other ACT Government agencies and transfers to Government, mainly consist of expenses relating to employees, consultants, contractors and professional services, information technology and office equipment, property services, repairs and maintenance and depreciation. Expenses also include grants paid for COVID-19 business support and extension payments, major sporting teams, business, industry, tourism and event organisations.

4.75 Expenses, excluding assets transferred to other ACT Government agencies and transfers to Government ($1 202 million) were consistent with the budgeted amount ($1 203 million).

4.76 Income is mainly derived from providing property management, information and communication technology, procurement, human resources, finance, publishing and records management services to other ACT Government agencies. Income is also received from non-ACT Government sources, mainly relating to sporting and tourism events.

4.77 Income ($289 million) was lower than the budget amount ($302 million) by $13 million mainly due to revenue foregone as a result of events being cancelled or restrictions placed on the number of attendees.

4.78 The net cost of the Directorate's services ($913 million) was $12 million higher than the budgeted amount ($901 million) due to lower income discussed previously.

4.79 Government contributions ($848 million) were consistent with the budgeted amount ($843 million).

4.80 The Directorate's Territorial operations mainly consist of revenue from Commonwealth Government grants, and taxes, fees and fines. This revenue is discussed in Chapter 1: 'The Territory's financial statements'.

Audit findings

Table 4-14 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
3	(1)	1	1	1	3

4.81 Of the three previously reported audit findings one was resolved, one was partially resolved and one remained not resolved in 2021-22.

4.82 The Directorate resolved one previously reported audit finding relating to the quality of the accounting workpapers that support financial statement balances by providing working papers that were complete, agreed to the financial statements and contained sufficient explanatory information to allow them to be understood with minimal assistance from the preparing officer. This reduces the risk of errors in the financial statements and delays in the completion of the audit.

4.83 The Directorate partially resolved the audit finding relating to the usefulness of accountability indicators included in the statement of performance. For the 2021-22 period, the Directorate's review of quality and usefulness of accountability indicators resulted in discontinuation of 29 accountability indicators and an additional 15 new accountability indicators with further work expected to be undertaken to strengthen and/or discontinue indicators for the next budget cycle. However, there continues to be some accountability indicators that may not provide readers with useful information about the Directorate's performance. The Audit Office has recommended the Directorate review all accountability indicators and remove any indicators from its budget papers that are not useful, with the aim of having fewer but more useful accountability indicators.

4.84 The Directorate did not resolve an audit finding relating to the timely review of fortnightly salary reports that has been reported since 2013-14. In 2021-22, the Directorate implemented additional processes for following up approvers of outstanding salary reports and continued the use of the previously implemented electronic review system, however, there were still instances of payroll report reviews not being performed in a timely manner. The lack of timely review of payroll reports increases the risk that incorrect or fraudulent employee payments will not be promptly detected and addressed.

4.85 One new audit finding was identified in 2021-22 relating to the accountability indicator where the results were not measured in accordance with *Financial Management Act 1996*. In the statement of performance for the accountability indicator Output Class 3.4 Arts: 'Satisfaction of audiences and participants of artsACT.' The Directorate advised that data for this indicator was to be collected annually by artsACT funded arts organisations, however due to the ongoing impacts of COVID-19, the surveys of audiences and participants were not conducted. As such, a result for this indicator was not measured. The Audit Office has recommended the Directorate implement procedures to address alternative ways of collecting data when setting performance indicators specifically in instances where the results are dependent on external submissions.

4.86 The Directorate has agreed to address all audit findings.

Community Services Directorate

4.87 The Community Services Directorate (Directorate) provides services to assist women, children and young people, Aboriginal and Torres Strait Islander people, people with disability, carers, families, people from culturally and linguistically diverse background, veterans and seniors.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The net cost of the Directorate's services ($223 million) was consistent with the budgeted net cost of services ($224 million).
- Territorial payments representing the ACT Government's contributions ($164 million) to the Commonwealth Government for the National Disability Insurance Scheme (NDIS) were slightly lower than the budget ($167).
- The Audit Office reported five new audit findings. Three relating to the financial statements and two relating to the statement of performance.

Financial results

Table 4-15 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(241)	(231)	(223)
Income	18	7	13
Net cost of services	**(223)**	**(224)**	**(210)**
Government contributions	217	220	207
Operating deficit	**(6)**	**(4)**	**(3)**

4.88 The Directorate's expenses mainly consist of:

- payments to non-government organisations to deliver support services in the sectors of housing, community service and social inclusion, women, disability, children and youth, Aboriginal and Torres Strait Islander affairs, multicultural affairs, and veterans and seniors;
- employee expenses including superannuation contributions; and

- supplies and services expenses including costs relating to information technology, office accommodation, contractor and consultants mostly relating to client support services.

4.89 Expenses ($241 million) were higher than the budgeted amount ($231 million) by $10 million mainly as a result of higher than expected:

- grants and purchased services attributable to increased support services provided through the COVID-19 Quarantine Support Hub (Ragusa - a dedicated quarantine facility for affected Canberrans who cannot stay at home for any reason), higher out-of-home care payments due to an increase in the number of recipients, the cost of flat fees, and carer services; and

- employee expenses primarily due to additional staff employed under the new budget initiatives such as Enact the Multicultural Recognition Act, Domestic and Family Violence, COVID-19 response team, Child and Youth Record System, Disability Support and higher staffing costs associated with the impact of the COVID-19 Pandemic.

4.90 The Directorate's income mainly includes:

- resources received free of charge from other ACT Government entities mainly for legal services, finance and human resources;
- rental income from Affordable Rental Scheme properties relating to housing needs of older and low income Canberrans;
- grants from the Commonwealth Government and the ACT Government to fund various Community programs; and
- reimbursement from Housing ACT for shared costs and functions.

4.91 Income ($18 million) exceeded the budgeted amount ($7 million) by $11 million. This was mainly due to the reimbursement of shared corporate services from Housing ACT not being included as revenue in the budget but as an offset against expenses, the receipt of three properties from Housing ACT, and additional funding provided for project delivery and COVID-19 related initiatives.

4.92 The net cost of the Directorate's services ($223 million) was consistent with the budget.

4.93 Government contributions ($217 million) were $3 million lower than the budgeted amount ($220 million) mostly due to cancelation of major events and the timing of delivering various initiatives due to the COVID-19 pandemic.

Table 4-16 Key results – Territorial expenses

Grants and purchased services	Actual 2021-22 $m	Budget 2021-22 $m
National Disability Insurance Scheme (NDIS)	164	167

4.94 Territorial expenses relate to the financial contributions of ACT Government to the Commonwealth Government for the Territory's cost of the NDIS. In 2021-22, these expenses were slightly lower than the budget.

Audit findings

Table 4-17 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
-	-	-	-	5	5

4.95 In 2021-22, the Audit Office identified five new audit findings. Three of these related to the financial statements and two in relation to the statement of performance.

4.96 The audit findings for financial statements were in relation to:

- the accounting policy used by the Directorate for corporate services including human resource and governance services provided to Housing ACT that did not comply with the Australian Accounting Standard AASB 101: 'Presentation of Financial Statements'. This policy resulted in respective services being recorded as a reduction in the employee expenses rather than recording these amounts as revenue;
- delays in the provision of supporting workpapers for grants and purchased services; and
- incomplete workpapers provided to the audit team in relation to the disclosure of related party transactions. The workpapers did not include information on how the Directorate obtained assurance about the accuracy and completeness of its related party disclosure when completed data collection forms were not available.

4.97 The audit findings for statement of performance were in relation to:

- the method used to calculate the interim result of the accountability indicator '*1.1(c): 'Proportion of funded services that were visited by a Relationship Manager during the financial year*' that was not consistent with the definition of the indicator; and
- some accountability indicators that did not provide a basis for a meaningful assessment of the Directorate's performance, and explanations of variances that could have been improved to enhance the understanding of the readers of the statement.

4.98 The Directorate has agreed to address all audit findings.

Education Directorate

4.99 The Education Directorate (Directorate) provides public school education, registers and regulates home education, early childhood learning centres and non-government schools, and enrols international students.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The net cost of the Directorate's services ($935 million) was below the original budgeted cost ($961 million) by $26 million mainly due to lower than expected school expenses and higher than expected income.
- Government contributions ($884 million) exceeded the budgeted amount ($877 million) by $7 million mainly due to additional funding to meet the higher than budgeted employee expenses.
- Capital injections were lower than the budgeted amount mainly due to deferrals and delays in some capital works projects.
- The Directorate resolved an audit finding in relation to its bank signatories and partially resolved an audit finding relating to the review of salary reports.
- The Audit Office reported a new audit finding in relation to documenting the satisfactory receipt of goods or services at schools.

Financial results

Table 4-18 Key results - controlled

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(998)	(1 017)	(965)
Income	63	56	50
Net cost of services	**(935)**	**(961)**	**(915)**
Government contributions	884	877	833
Gains	9	-	7
Operating deficit	**(42)**	**(84)**	**(75)**
Capital injections	**148**	**179**	**127**

4.100 Expenses mainly consist of employee expenses including superannuation contributions, supplies and services expenses including costs relating to property maintenance, materials and services, depreciation expenses and school operating expenses including utilities, cleaning, security and the cost of external educational enrichment activities such as school excursions.

4.101 Income consists mainly of reimbursements received from the ACT Government to meet additional cleaning and staff costs as part of the Territory's response to the COVID-19 pandemic, school revenue that mainly relates to voluntary contributions and fund raising activities, human resources services received free of charge from Shared Services, funding from the Commonwealth Government for the Jervis Bay Territory School and the French-Australian Program provided at Telopea Park School, and international student enrolment fees.

4.102 The net cost of the Directorate's services ($935 million) was $26 million (3 percent) below the budgeted cost ($961 million) mainly due to:

- lower than expected school and other expenses including excursions, camps and other student enrichment activities, mostly due to COVID-19 related restrictions; and
- higher than expected income mainly due to additional funding as part of Territory's response to the COVID-19 for cleaning, relief staff, enhanced ventilation, shade structures and other COVID related measures.

These were partially offset by higher employee expenses including superannuation contributions mostly due to increased staff numbers to meet student needs which was not anticipated in the budget, and additional school relief and cleaning staff associated with the COVID 19 Pandemic.

4.103 Government contributions ($884 million) exceeded the budgeted amount ($877 million) by $7 million mainly to meet the higher than expected staff costs discussed previously.

4.104 The Directorate reported a gain of $9 million that was not anticipated in the budget from land received free of charge from other ACT government agencies, to build new schools in Kenny and Taylor.

4.105 Capital Injections ($148 million) were lower than the budgeted amount ($179 million) by $31 million (17 percent) largely due to deferrals in some capital works projects mainly as a result of the impact of COVID-19 and delays in procuring building supplies.

Table 4-19 Key results - Territorial expenses

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Grants to non-government schools	336	328	320
Total expenses	**336**	**328**	**320**

Source: The breakdown of budget information was provided by the Education Directorate.

4.106 Territorial expenses mostly consist of grants paid to non-government schools. The Directorate receives funding from the ACT Government and the Commonwealth Government to provide these grants. Grants paid to non-government schools were mostly in line with the budgeted amount.

Audit findings

Table 4-20 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
2	(1)	1	-	1	2

Note: There were three previously reported audit findings from 2020-21. However, this table only includes two findings as the audit finding on 'Monitoring of audit logs for MAZE' is discussed earlier in this report in Section 3: 'Computer Information Systems'.

4.107 In 2019-20, the Audit Office found that bank signatories who can make payments using cheques or electronic funds transfer from the Directorate's bank accounts are not always current employees. In 2021-22, the Directorate resolved this audit finding by removing former employees as bank signatories in a timely manner. This reduces the risk of fraudulent payments being made from the Directorate's bank accounts.

4.108 The Directorate partially resolved an audit finding relating to the review of salary reports which was first reported in 2013-14. The Directorate now ensures that salary reports are independently reviewed by schools and business units. However, the audit finding is only partially resolved as:

- some salary reports were not reviewed on a timely basis (i.e. more than 2 weeks after the end of the pay period;
- there is no documented policy in place defining what constitutes a 'timely basis of review' to measure the timeliness of the salary report review against; and
- opportunities for improvements were identified in relation to the controls over the 'Schools Staffing Expenditure Monitoring System' (SSEMS) used to distribute salary reports for review to schools, for example some users are using a generic rather than a unique system login so it is not always possible to identify whether the reviewer of the salary report is the appropriate cost centre representative.

The lack of timely review of salary reports and weaknesses in the controls over SSEMS increases the risk that incorrect or fraudulent employee payments will not be promptly detected and addressed.

4.109 One new audit finding was identified in relation to the documentation supporting the payment of invoices at schools. There was no evidence of the satisfactory receipt of goods and services prior to payments being made for some invoices. While these payments were found to be properly related to the operations at schools, there is a risk of payment errors, irregularities and fraud when payments can be made without clear evidence of the satisfactory receipt of goods and services marked on the payment documentation.

4.110 The Directorate agreed to address these audit findings.

Environment, Planning and Sustainable Development Directorate

4.111 The Environment, Planning and Sustainable Development Directorate (Directorate) is responsible for developing and implementing plans and policies that address strategies of ACT Government in relation to climate change, sustainable growth, building and planning, land, parks and reserves management and urban renewal.

4.112 The Directorate manages parks and reserves across the ACT and is responsible for the delivery of the ACT Government's Loose-Fill Asbestos Insulation Eradication Scheme. The Directorate also has the responsibility for urban renewal including land supply and related policy functions such as affordable housing.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The net cost of the Directorate's services ($150 million) was lower than the budgeted cost ($181 million). This was primarily due to the higher income due to the higher market price for Large-Scale Generation Certificates and an increase in the fair value of timber and the inclusion of older aged-classed trees.
- Government contributions ($132 million) and capital injections ($19 million) were lower than the budgeted amounts by $27 million and $33 million respectively mainly due to projects that were delayed and less purchases under the Loose-Fill Asbestos Insulation Eradication Scheme.
- The Directorate resolved all of the four previously reported audit findings. Two each relating to the financial statements and the statement of performance.

Financial results

Table 4-21 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(279)	(257)	(428)
Income	129	76	108
Net cost of services	**(150)**	**(181)**	**(319)**
Government contributions	132	159	139
Gains on Loose-Fill Asbestos Insulation Eradication	7	17	16
Operating deficit	**(11)**	**(5)**	**(164)**
Capital injections	**19**	**52**	**23**

4.113 Expenses mainly consist of employee costs including superannuation, costs associated with Large-Scale Generation Certificates (LSGCs), supplies and services expenses and grants and purchased services.

4.114 Expenses ($279 million) were higher than the budgeted cost ($257 million) by $22 million (9 percent). This was mainly due to LSGCs expenses as the market price at 30 June 2022 was higher than the price estimated in the budget. Under the *Electricity Feed-in (Large-scale Renewable Energy Generation) Act 2011*, large-scale generators of electricity are required, after generating a sufficient amount of renewable energy into the electricity network, to create renewable energy certificates and provide these certificates to the Directorate. The value of such certificates received at no cost to the Directorate is recognised as an intangible asset and revenue. A corresponding liability and an expense are also created to reflect the present obligation created by the ACT Government's policy decision to surrender LSGCs to meet its renewable energy target.

4.115 Total income ($129 million) was $53 million (70 percent) higher than the budgeted income ($76 million) mainly due to:

- the LSGCs revenue, where the market price at 30 June 2022 was higher than the price estimated in the budget, as discussed previously; and
- the increase in the fair value of timber and the inclusion of older aged-classed trees which are now classed as commercially viable was not anticipated in the budget.

4.116 The net cost of the Directorate's services ($150 million) was lower than the budgeted amount ($181 million) by $31 million (17 percent). This was primarily due to the higher income not anticipated in the budget, as discussed previously.

4.117 Government contributions ($132 million) were lower than the budgeted contributions ($159 million) by $27 million (17 percent). This was mainly due to projects being delayed due to supplier and contractor shortages during the COVID-19 lockdowns and less purchases made under the Loose-Fill Asbestos Insulation Eradication Scheme.

4.118 Gains on Loose-Fill Asbestos Insulation Eradication ($7 million) were lower than the budgeted amount ($17 million) by $10 million (59 percent) mainly due to less than expected sales under the Scheme.

4.119 Capital injections ($19 million) were lower than the budgeted amount ($52 million) by $33 million (63 percent) mainly due to previously discussed delay in projects and less purchases made under the Loose-Fill Asbestos Insulation Eradication Scheme.

Table 4-22 Key results – Territorial income

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Fees	27	12	14
Land revenue	0.1	16	1
Other	10	9	8
Total income	**37**	**37**	**23**

4.120 The Directorate collects fees and land revenue on behalf of the Territory. Fees mostly consist of amounts charged for development applications and lease variations. Land revenue is received from leasing Territorial land and transferring land to the Suburban Land Agency.

4.121 Fees ($27 million) was higher than the budgeted amount ($12 million) mainly due to higher Lease Variation Charge (LVC) as customers opted to pay their LVC upfront as opposed to using the ACT Revenue Office's deferral scheme anticipated in the budget.

4.122 Land revenue ($0.1 million) was lower than the budgeted amount ($16 million) due to lower than expected land transfers to the Suburban Land Agency.

Audit findings

Table 4-23 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
4	(4)	-	-	-	-

4.123 All four previously reported audit findings were resolved this year. The Directorate resolved the previously reported audit findings in relation to:

- the basis for reporting ACT Government's interest in the West Belconnen Joint Venture. The Joint Venture is a joint operation between the ACT Government and Riverview Developments (ACT) Pty Ltd that undertakes land development in West Belconnen, across ACT and NSW borders. The Directorate has control over the interest in the Joint Venture and has taken the option to issue a letter to the Suburban Land Agency (SLA) on an annual basis to allow SLA to report these transactions in its financial statements. The Audit Office has recommended the Directorate to continue to pursue establishing a more permanent financial reporting arrangement to report the Territory's interest in the Joint Venture;

- an accountability indicator in 2020-21 (i.e. '2.1 (d) The conservator of Flora and Fauna to finalise Action Plans for matters listed under the Nature Conservation Act 2014, within six months following public consultation') that did not provide details of the extent to which the performance criteria set out in the budget had been met. The Directorate resolved this audit finding by accurately reporting results for all its accountability indicators to reflect the performance in delivering relevant outputs;

- to the record keeping system for capital works-in-progress and unleased rural Territorial land. The Directorate resolved this audit finding by ensuring that completed assets were correctly transferred from works in progress to property, plant and equipment or to relevant ACT Government entities in a prompt manner; and

- to the statement of performance where no accountability indicators had been established in 2020-21 for Output Class 6: 'Public Housing Renewal Taskforce' as required by the *Financial Management Act 1996.* In addition, some accountability indicators and related targets did not provide a basis for a meaningful assessment of the Directorate's performance. The Directorate resolved this audit finding by including accountability indicators for all output classes; and discontinuing Output Class 6: 'Public Housing Renewal Taskforce' in the Budget Papers following the completion of the relevant program. Also, accountability indicators and related targets in statement of performance provided a reasonable basis for a meaningful assessment of the Directorate's performance.

4.124 No new audit findings were identified in 2021-22.

Housing ACT

4.125 Housing ACT provides safe, affordable and appropriate housing to address the needs of socially and financially disadvantaged families. This includes the provision of support and assistance to those trying to sustain a tenancy in the private rental market through a range of programs.

4.126 Housing ACT manages arrangements with organisations as part of these programs that provide services to people who have become or are at risk of becoming homeless.

Summary

- The Audit Office issued an unmodified auditor's report on Housing ACT's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The net cost of Housing ACT's services ($175 million) was $15 million (9 percent) higher than budgeted ($160 million) due mainly to the higher than anticipated expenses arising from public housing properties.
- Gains from disposal and remeasurement of assets ($29 million) were $22 million (314 percent) higher than budgeted ($7 million) due to higher prices achieved in property sales.
- The value of property portfolio at 30 June 2022 ($8 282 million) exceeded the value at 30 June 2021 ($6 713 million) by $1 569 million mainly due to an upward revaluation of land and buildings.
- The Audit Office reported a new audit finding relating to the legislated requirement to perform an annual rent review and to charge market rent to public housing tenants by Housing ACT.

Financial results

Table 4-24 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(279)	(256)	(226)
Income	104	96	97
Net cost of services	**(175)**	**(160)**	**(129)**
Government contributions	58	58	55
Gains from disposal and remeasurement of assets	29	7	24
Operating deficit	**(88)**	**(95)**	**(50)**

4.127 Expenses mainly consist of public housing property management costs, employee expenses and grants paid to organisations that provide services to people who have become or are at the risk of becoming homeless. Property management costs include repairs and maintenance costs, depreciation of public housing properties, and sewerage, water and general rates.

4.128 Expenses ($279 million) were higher than the budgeted amount ($256 million) by $23 million mainly due to higher than expected:

- repair and maintenance costs under the 'Growing and Renewing Public Housing - Securing High Quality Public Housing' initiative to improve public housing property conditions for tenants, domestic violence security works and tenants with disability;
- depreciation expenses resulting from an increase in the fair value of the public housing properties following a revaluation performed during the year; and
- expenses for specialist homelessness service providers to strengthen existing programs and to provide additional services.

4.129 Income mainly consists of rent received from public housing tenants. Income ($104 million) exceeded the budgeted amount ($96 million) by $8 million mainly due to:

- higher than expected recovery of maintenance costs from tenants for property damage and settlement of insurance claims for damage to property and goods;
- reimbursement of refurbishment costs of a property in Waramanga (Ruby's House) from the Community Services Directorate; and
- funding from Chief Minister, Treasury and Economic Development Directorate for the COVID-19 Response Fund.

4.130 The net cost of Housing ACT's services ($175 million) was $15 million (9 percent) higher than budgeted ($160 million) due mainly to the higher than anticipated expenses arising from public housing properties mentioned above, partially offset by the higher income.

4.131 Government contributions of $58 million were consistent with the budgeted amount.

4.132 Gains from disposal and remeasurement of assets ($29 million) were $22 million (314 percent) higher than budgeted ($7 million). This was mainly due to higher than anticipated prices achieved in property sales, reflecting the current state of the ACT property market. Proceeds from the sale of public housing properties are used to fund the replacement and renewal of the public housing portfolio through the ongoing *Growing and Renewing Public Housing Program.*

Property Portfolio

Table 4-25 Number and value of land and dwellings

At 30 June	Actual 2019-20 $m	Actual 2020-21 $m	Actual 2021-22 $m
Number of land parcels – Note 1	6 868	6 815	6 690
Land value	**3 863**	**4 782**	**5 960**
Number of dwellings – Note 1	11 704	11 595	11 521
Dwellings value	**1 622**	**1 931**	**2 322**
Total value of land and dwellings	**5 485**	**6 713**	**8 282**

Source: Information on land and dwellings was provided by Housing ACT.

Note 1: The number of land parcels and dwellings excludes assets held for sale or distribution.

4.133 The value of property portfolio at 30 June 2022 ($8 282 million) exceeded the value at 30 June 2021 ($6 713 million) by $1 569 million mainly due to an upward revaluation of land and buildings.

4.134 The number of dwellings has decreased by 74 in 2022 from 2021. Housing ACT has advised that $171 million is being invested through the *Growing and Renewing Public Housing Program* to renew 1 000 properties and to increase the number of dwellings by at least 400 by 2025.

Audit findings

Table 4-26 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
-	-	-	-	1	1

4.135 One new audit finding was identified in relation to the requirement under the legislation to perform an annual rent review and to charge tenants market rent. The Audit Office found that the rent increase of 10 percent recommended by a market rent assessment conducted in March 2021 had not been applied to the rent charged to public housing tenants by Housing ACT.

4.136 Representatives of Housing ACT advised that such an increase is not permitted under the *Residential Tenancies Regulation 1998* issued under the *Residential Tenancies Act 1997* despite a requirement in the *Housing Assistance Act 2007* to charge a market rent on an annual basis. Housing ACT has assessed that any rent forgone from not being able to charge the latest market rent would be in the range of \$0.6 million to \$1.6 million and was therefore not material for 2021-22 financial statements.

4.137 The Audit Office recommended that Housing ACT should continue to work on resolving this matter to ensure that there is no material impact on the financial statements in future years.

4.138 The Directorate has agreed to address this audit finding.

Icon Water Limited

4.139 Icon Limited (Icon Water) provides water and sewerage related services and manages its 50 percent interest in the ActewAGL Joint Venture (ActewAGL) energy business. ActewAGL is discussed earlier in this chapter.

4.140 Icon Water's two subsidiaries, Icon Retail Investments Limited and Icon Distribution Investments Limited, hold a 50 percent interest in the ActewAGL Retail Partnership and ActewAGL Distribution Partnership respectively.

Summary

- The Audit Office issued unmodified auditor's reports on the 2021-22 financial reports of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited.
- Icon Water's profit for the year ($76 million) was $9 million (13 percent) higher than the prior year profit ($67 million) mainly due to increased profits received from Icon Water's investment in ActewAGL which was partially offset by a decrease in water sales revenue and increased operating expenses for the year.
- Icon Water's share of profit from ActewAGL ($136 million) increased by $94 million from the prior year ($42 million) in 2021-22.
- Dividends paid to the ACT Government in 2021-22 increased by $27 million from $30 million in 2020-21 to $57 million in 2021-22.
- Icon Water had sufficient short-term assets to cover its short-term liabilities at 30 June 2022.
- Icon Water resolved two previously reported audit findings relating to the methodology used to calculate the fair value of plant and equipment assets and the alignment of accounting policies when accounting for its investment in ActewAGL. One previously reported audit finding in relation to the revaluation policy of plant and equipment assets was partially resolved.

Financial results

Table 4-27 Key results

	Actual 2021-22 $m	Actual 2020-21 $m
Revenue excluding share of net profit from investment in ActewAGL	333	357
Share of net profit from investment in ActewAGL	136	42
Revenue	**469**	**399**
Expenses	(360)	(304)
Operating profit before income tax expense	**109**	**95**
Income tax expense	(33)	(28)
Operating profit	**76**	**67**
Dividends paid to the ACT Government	**57**	**30**

Note: The financial information is for Icon Water Limited and Controlled Entities.

4.141 Revenue mostly consists of water supply and sewerage charges and Icon Water's share of net profit from ActewAGL joint venture partnerships.

4.142 Revenue excluding Icon Water's share of net profit from investment in ActewAGL ($333 million) was $24 million (7 percent) lower than the prior year amount ($357 million). This was mainly due to a reduction in water sales revenue from reduced water consumption by customers as a result of higher-than-average rainfall for the region.

4.143 Icon Water's share of net profit investment in ActewAGL in 2021-22 ($136 million) increased by $94 million (224 percent) from the prior year ($42 million) as the ActewAGL joint venture partnerships recorded higher profits in 2021-22, mainly due to the effects of feed-in-tariff fluctuations.

4.144 Expenses comprises mainly of business operating costs, interest costs incurred on borrowings, employee expenses and depreciation. Expenses ($360 million) were $56 million (18 percent) higher than the prior year amount ($304 million) mainly as a result of higher:

- finance costs of $26 million attributable to the higher consumer price index which is linked to indexed bonds within the borrowings portfolio;
- operational costs of $13 million due to expenditure incurred by Icon Water to upgrade their technology infrastructure; and

- employment and associated costs of $10 million arising from lower capitalisation of labour costs partly due to COVID-19 restrictions impacting delivery of the capital program during the period.

4.145 Income tax expense ($33 million) was higher than the prior year expense ($28 million) by $5 million (18 percent) due to higher taxable profits.

4.146 Icon Water's operating profit ($76 million) was $9 million (13 percent) higher than the prior year profit ($67 million) due largely to the increase in profit received from the ActewAGL investment which was partially offset by reductions in revenue from lower water sales and increased operating expenses.

4.147 Dividends paid to the ACT Government increased by $27 million (90 percent) from $30 million in 2020-21 to $57 million in 2021-22.

Financial position

Table 4-28 Net short-term assets

At 30 June	Actual 2021-22 $m	Actual 2020-21 $m
Short-term assets	155	151
Short-term liabilities including dividend payable to the ACT Government	(113)	(102)
Net short-term assets	**42**	**49**
Ratio of short-term assets to short-term liabilities	**1.4 to 1**	**1.5 to 1**

4.148 Icon Water had sufficient short-term assets to meet its short-term liabilities at 30 June 2022.

4.149 Icon Water's net short-term assets position at 30 June 2022 is slightly weaker than the position at 30 June 2021 largely due to higher current liabilities ($11 million) arising from an increase in dividends payable from the prior year and a change in the net current tax position at balance date.

Audit findings

Table 4-29 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
3	(2)	1	-	-	1

4.150 Icon Water has resolved two of the three previously reported audit findings in 2021-22 by:

- reviewing and updating the methodology used to calculate the fair value of water and sewerage infrastructure assets in consultation with valuation experts to reflect assumptions used by market participants including valuation guidance and industry benchmarks that accord with Australian Accounting Standard AASB 13: 'Fair Value Measurement'; and
- recording adjustments in their financial statements to align ActewAGL's accounting policies for property, plant and equipment (cost value) to its own accounting policies (fair value) when valuing its investment in ActewAGL in accordance with Australian Accounting Standard AASB 128: 'Investments in Associates and Joint Ventures'.

4.151 The remaining partially resolved audit finding relates to the implementation of the revaluation policy for plant and equipment assets that was revised by Icon Water in 2021-22 with assistance from technical accounting and valuation experts. The revised policy will be implemented from 1 July 2022 hence the audit evaluation of the practical application of this policy for compliance with the Australian Accounting Standards will be undertaken in 2022-23.

4.152 No new audit findings were identified during the 2021-22 audits.

Justice and Community Safety Directorate

4.153 The Justice and Community Safety Directorate (Directorate) provides courts, corrections, legal, and emergency services. Policing services provided by the Australian Federal Police are paid through the Directorate's Territorial appropriation.

4.154 The Directorate is supported by independent statutory offices including Office of ACT Human Rights Commission, Office of the Inspector of Correctional Services, ACT Solicitor-General, Courts and Tribunal Principal Registrar, and Director of Public Prosecutions.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The net cost of the Directorate's services ($414 million) was $10 million (2 percent) lower than the budgeted net cost of services ($424 million) mainly due to higher than anticipated income.
- Payments to the Australian Federal Police for policing services ($195 million) was consistent with the budgeted amount ($193 million).
- The Directorate's public private partnership commitments for the new ACT Courts and Tribunal facilities ($464 million) was $21 million lower than the prior year amount ($485 million) mainly due to monthly service payments made during the year.
- The Directorate resolved one previously reported audit findings relating to legal services revenue reconciliations between the Open Practice (legal services revenue system) and Oracle (financial management system).

Financial results

Table 4-30 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(461)	(460)	(435)
Income	47	36	45
Net cost of services	**(414)**	**(424)**	**(390)**
Government contributions	375	385	341
Operating deficit	**(39)**	**(39)**	**(49)**
Capital injections	**23**	**41**	**20**

4.155 Expenses mainly consist of employee costs and supplies and services expenses associated with the provision of justice services, corrective services, courts and tribunals, and emergency services.

4.156 Expenses ($461 million) were materially consistent with the budgeted amount ($460 million).

4.157 Income is mainly comprised of fees received for services provided by the ACT Government Solicitor's Office, ACT Courts and Tribunal, and the Emergency Services Agency (e.g. ambulance transport and fire protection related services).

4.158 Income ($47 million) was $11 million (31 percent) higher than budgeted amount ($36 million) mainly due to higher than anticipated sales of goods and services from contracts with customers due to higher demand for professional legal services.

4.159 The net cost of the Directorate's services ($414 million) was $10 million (2 percent) lower than the budgeted net cost of services ($424 million) mostly due to the higher than anticipated income mentioned above.

4.160 Government contributions ($375 million) were $10 million (3 percent) lower than the budgeted amount ($385 million) as the Directorate did not draw down all its budgeted appropriation. Funding for various ACT Corrective Services and Emergency Services Agency (ESA) projects were transferred from 2021-22 to 2022-23 because of delays in completing these projects mainly due to COVID-19 pandemic.

4.161 Capital injections ($23 million) were significantly lower than the budgeted amount ($41 million) by $18 million (44 percent) due to funds not being drawn down as a result of delays in projects. These include Alexander Maconochie Centre capital works projects, Emergency Services Agency vehicle replacement projects, various ESA station upgrade projects and Courts facilities upgrade projects, ICT projects related to ACT Corrective Services and ESA critical ICT infrastructure projects.

Table 4-31 Key results – Territorial expenses

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m Note 3
Payments to the Australian Federal Police (AFP) - Note 1	195	193	180
Other expenses - Note 2	35	32	34
Total expenses	**230**	**225**	**214**

Note 1: Payments to the AFP do not include non-cash expenses such as depreciation and amortisation.

Note 2: Other expenses exclude transfers to Government.

Note 3: The 2020-21 figures have been amended to include ACT Civil and Administrative Tribunal Trust account that was previously recorded as third party monies.

4.162 Territorial expenses mainly consist of payments to the Australian Federal Police to provide policing services in the ACT. Payments to the Australian Federal Police ($195 million) was consistent with the budgeted amount ($193 million).

Table 4-32 ACT Courts and Tribunal Project – Public Private Partnership Commitments

	Public Private Partnership Commitments	
	2021-22 $m	**2020-21 $m** Note 1
Within one year	22	21
Later than one year but not later than five years	88	88
Later than five years	354	376
Total Public Private Partnership Commitments – Note 2	**464**	**485**

Source: Note 22: 'Commitments and Other Expenditure Commitments' of the Directorate's 2021-22 financial statements.

Note 1: The 2020-21 figures have been amended to include the future interest cost for the term of Public Private Partnership.

Note 2: Total Public Private Partnership Commitments excludes finance lease commitments. All commitments are exclusive of GST.

4.163 At 30 June 2022, the Directorate had $464 million in commitments relating to the public private partnership with a private sector consortium (Juris Partnership) to construct, operate and maintain the new ACT Courts and Tribunal facilities. This was $21 million lower than the $485 million in commitments at 30 June 2021 due to monthly service payments made during the year.

Audit findings

Table 4-33 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
1	(1)	-	-	-	-

4.164 The Directorate resolved one previously reported audit finding by developing and implementing procedures to perform regular (i.e. quarterly) reconciliations between the Open Practice (legal services revenue system) and Oracle (financial management system). Quarterly and full year reconciliations were also prepared and reviewed by independent officers in a timely manner. This provides increased assurance that revenue recognised in Oracle is accurate and errors and irregularities will be promptly detected and addressed.

4.165 No new audit findings were identified in 2021-22.

Legal Aid Commission (ACT)

4.166 The Legal Aid Commission (ACT) (Commission) is an independent statutory authority established by the *Legal Aid Act 1977 (ACT)* (Act) with the primary purpose of providing vulnerable and disadvantaged Australians with access to justice through a range of legal aid services in accordance with the Act.

4.167 The services provided by the Commission are wide-ranging and encompass the provision of information and referrals, legal advice and minor legal assistance, advocacy, duty lawyer services, grants of legal assistance, dispute resolution services, community legal education programs and submissions on law reform issues.

Summary

- The Audit Office issued an unmodified auditor's report on the Commission's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The net cost of the Commission's services ($15 million) was $2 million (12 percent) lower than the budgeted net cost of services ($17 million) mostly due to lower expenses and higher grants and contributions revenue.
- The Commission's two previously reported audit findings are partially resolved. One of these audit findings related to strengthening its governance arrangements and the other related to the assessment for revenue recognition.

Financial results

Table 4-34 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(19)	(20)	(17)
Income	4	3	4
Net cost of services	**(15)**	**(17)**	**(13)**
Government contributions	16	16	14
Operating surplus	**2**	**-**	**2**

4.168 Expenses consist of employee costs and supplies and services expenses, including the provision of legal services from private legal practitioners.

4.169 Expenses ($19 million) were $1 million (5 percent) lower than budgeted amount ($20 million) mainly to lower supplies and services expenses resulting from the delay in expenditure for some contracts where demand for these services not expected to occur until 2022-23. In addition, there was also an underspend in general legal expenses.

4.170 Income is mainly comprised of funds received from the sale of services from contracts and grants and contributions.

4.171 Income ($4 million) was $1 million (33 percent) higher than budgeted amount ($3 million) mainly due to some amounts received in 2021-22 as grants and contributions revenue were required to be recognised as income upon receipt under the Australian Accounting Standards.

4.172 The net cost of the Commission's services ($15 million) was $2 million (12 percent) lower than the budgeted net cost of services ($17 million) mostly due to lower private practitioner referral expenses and higher grants and contributions revenue.

4.173 Government contributions ($16 million) relate to controlled recurrent payments and were consistent with the budgeted amount ($16 million).

Audit findings

Table 4-35 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
2	-	2	-	-	2

4.174 Two of the previously reported audit findings were partially resolved. In prior years, the Audit Office identified the:

- Commission did not have a fraud and Corruption Prevention Plan; and the regular review of its Chief Executive Financial Instructions and the Internal Audit Charter did not occur. The Commission partially resolved this audit finding by updating the Chief Executive Financial Instructions to include a requirement to review them on a periodic basis and preparing and finalising the Fraud and Corruption Prevention Plan. The Commission's current Internal Audit Charter remained not reviewed. This creates a risk where policies and procedures may not operate effectively when the frequency of a periodic review is not actioned. The Commission has agreed to address this audit finding.

- Commission's previous assessment of its contracts and agreements to determine the relevant Australian Accounting Standards and the identification of specific performance obligations for the contracts was not always sufficient to support the conclusions it reached in relation to revenue recognised. This audit finding was partially resolved after the Commission improved its revenue recognition assessments by including more details of the assessment however the lack of specific performance obligations in the contracts and agreements resulted in those revenue assessments not being consistent with the Australian Accounting Standards. This increases the risk of incorrect application of Australian Accounting Standards and recognition of revenue by the Commission. The Commission has agreed to address this audit finding.

4.175 No new audit findings were identified in 2021-22.

Major Projects Canberra

4.176 Major Projects Canberra delivers major infrastructure projects for the community and consolidates project planning, contract management and procurement on behalf of ACT Government agencies.

4.177 The key outputs of Major Projects Canberra include:

- procuring and delivering infrastructure projects designated by the ACT Government as major projects. These include the expansion of Canberra Hospital, the extension of light rail to Woden, redevelopment of the Canberra Theatre Centre and delivery of a new CIT campus and public transport hub in Woden;
- project management and reporting, oversight of works and workplace health and safety active certification; and
- the ACT Chief Engineer function facilitating the engineering capability required to meet the future needs of ACT's growing community.

Summary

- The Audit Office issued an unmodified auditor's report on Major Projects Canberra's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The net cost of Major Projects Canberra's services ($26 million) was consistent with the budgeted amount ($27 million).
- Government contributions ($27 million) were in line with the budgeted amount ($26 million).
- Major Projects Canberra drew down additional $34 million (21 percent) in capital injections than budgeted amount ($160 million) mainly due to accelerated capital works performed on two projects: the expansion of Canberra Hospital and the extension of light rail to Woden. The additional amount drawn will be deducted from the projects' final year of capital injection appropriation.

Financial results

Table 4-36 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(42)	(46)	(34)
Income	16	19	22
Net cost of services	**(26)**	**(27)**	**(12)**
Government contributions	27	26	7
Operating surplus/(deficit)	**1**	**(1)**	**(5)**
Capital injections	**194**	**160**	**100**

4.178 Major Projects Canberra's expenses mainly consist of employee expenses and supplies and services expenses.

4.179 Expenses ($42 million) were lower than the budgeted amount ($46 million) by $4 million mainly due to higher than anticipated contractor expenses meeting the capitalisation criteria for designated projects and being recognised as capital works in progress instead.

4.180 Major Projects Canberra's income is mostly derived from providing capital works project management services to other ACT Government agencies. Income ($16 million) was lower than the budgeted amount ($19 million) mainly due to lower than anticipated delivery of capital works program in 2021-22 for which project management levy is charged.

4.181 The net cost of Major Projects Canberra's services ($26 million) was consistent with the budgeted amount ($27 million).

4.182 Government contributions ($27 million) were in line with the budget ($26 million).

4.183 Major Projects Canberra drew down an additional $34 million (21 percent) in capital injections than budgeted ($160 million) mainly due to accelerated capital works performed on two designated projects: the expansion of Canberra Hospital and the extension of light rail to Woden. This additional capital works advance was drawn in accordance with instruments prepared under the *Financial Management Act 1996* and will be deducted from the projects' final year of capital injection appropriation.

Public Sector Workers Compensation Fund

4.184 The Public Sector Workers Compensation (PSWC Fund) operates under the *Public Sector Workers Compensation Fund Act 2018* to manage the Territory's workers' compensation liabilities and payments for associated claims.

4.185 The PSWC Fund was established on 1 March 2019 when the Territory became a licenced self-insurer for workers' compensation under the *Safety, Rehabilitation and Compensation Act 1988 (Commonwealth)* and assumed responsibility for workers' compensation claims from the Commonwealth Government (Comcare).

4.186 The PSWC Fund has been designed to ensure the effective management of the Territory's workers' compensation assets and features governance and management arrangements in relation to those assets.

4.187 The compensation claims are managed through a third-party administrator agreement with Employers Mutual Limited (EML) performing the overall functions of a claims manager.

Summary

- The Audit Office issued an unmodified auditor's report on the PSWC Fund's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The PSWC Fund's operating surplus ($56 million) exceeded the budgeted operating surplus ($1 million) by $55 million due to lower than expected actuarially estimated claims related expenses resulting in a reduction in outstanding claims liabilities.
- The PSWC Fund had sufficient assets to meet estimated gross outstanding claims liabilities at 30 June 2022.
- The PSWC Fund resolved one previously reported audit finding relating to internal controls implemented by the fund's contracted claims management service provider.
- The one remaining previously reported audit finding relating to the PSWC Fund's processes for preparing its financial statements, recording its transactions, and accounting workpapers was partially resolved.

Financial results

Table 4-37 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Underwriting revenue	59	59	56
Underwriting expenses	(9)	(51)	(4)
Underwriting gain	**50**	**8**	**52**
Other revenue	32	1	4
Total income	**82**	**1**	**56**
Supplies and services	(1)	(8)	(1)
Expenses	**(1)**	**(8)**	**(1)**
Net loss on investments	(25)	-	-
Operating surplus	**56**	**1**	**55**

4.188 The PSWC Fund's income mostly consists of underwriting revenue from workers' compensation premium contributions collected from ACT Government agencies.

4.189 Underwriting revenue ($59 million) was consistent with the budgeted amount ($59 million).

4.190 Underwriting expenses consist of workers' compensation claims paid during the year plus changes in the actuarial estimate of gross outstanding claims during the year (together workers' compensation claims incurred during the year), and claims administrator remuneration expenses incurred in relation to the PSWC Fund's claims management service provider, Employers Mutual Limited.

4.191 Total underwriting expenses ($9 million) were $42 million (82 percent) lower than the budgeted amount ($51 million). This was due to lower than expected actuarially estimated claims related expenses resulting in a reduction in outstanding claims liabilities. The budgeted amount assumes a breakeven underwriting result with no deterioration or improvement in the expectations for prior years claims.

4.192 Other revenue ($32 million) was $31 million (97 percent) higher than budgeted amount $1 million due to unbudgeted additional amounts received from Comcare as part of the settlement of amounts owing to the Territory when it assumed responsibilities for workers compensation claims liabilities.

4.193 In 2021-22, the PSWC Fund received $340 million from Comcare as a satisfaction of its liabilities owed to the ACT Government for all existing and future claims. The PSWC Fund commenced investment with the Territory Banking Account from the amounts received and has reported an unbudgeted net loss on investments ($25 million) due to poor market conditions.

4.194 The PSWC Fund's operating surplus ($56 million) exceeded the budgeted operating surplus ($1 million) due to lower than anticipated underwriting expenses offset by the other revenue and net loss on investments as previously discussed.

Financial position

Table 4-38 Net assets

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Total assets	416	403	402
Total liabilities	(286)	(327)	(328)
Net assets	**130**	**75**	**74**
Ratio of total assets to total liabilities	**1.4:1**	**1.2:1**	**1.2:1**

4.195 The PSWC Fund aims to hold sufficient assets to meet estimated gross outstanding claims liabilities.

4.196 The PSWC Fund continued to have sufficient assets to cover its liabilities at 30 June 2022. Its net asset position at 30 June 2022 ($130 million) is higher than the budgeted net asset position ($75 million) by $55 million (73 percent) due to lower than expected actuarially estimated gross outstanding claims held at year end and higher than expected cash held.

Audit findings

Table 4-39 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
2	(1)	1	-	-	1

4.197 Of the two previously reported audit findings one was resolved and one was only partially resolved in 2021-22.

4.198 The PSWC Fund resolved one previously reported audit finding relating to internal controls implemented by EML for claims payments by completing the test of internal controls covering the entire financial year with a report provided before the PSWC Fund certified its financial statements.

4.199 One previously reported audit finding relating to the PSWC Fund's processes for preparing its financial statements, recording its transactions, and accounting workpapers was partially resolved by updating the ORACLE financial system (ORACLE) chart of accounts and improving its workpapers to adequately explain reconciliations performed for the reported financial statement balances. However, not all planned improvements to simplify processes for recording transactions in ORACLE for claims expenses and actuarial adjustments were completed in 2021-22.

4.200 This creates a higher risk of errors being introduced in the general ledger and preparation of the financial statements. The Audit Office has recommended the PSWC Fund to improve and simplify its processes for recording transactions in ORACLE for claims expenses and actuarial adjustments.

4.201 The PSWC Fund has agreed with this audit finding.

Suburban Land Agency

4.202 The Suburban Land Agency is a Public Non-Financial Corporation and develops and sells suburban, residential, community, commercial and industrial land in town centres and suburbs outside ‘declared urban renewal precincts’.

4.203 Consistent with the ACT Government’s policy on competitive neutrality (*Competitive Neutrality in the ACT*, *October 2010*), the Suburban Land Agency applies similar costing and pricing principles, taxation, debt guarantee requirements and regulations to a private sector entity.

4.204 The Suburban Land Agency reports ACT Government’s interest in the West Belconnen Joint Venture in its financial statements. The Joint Venture is a joint operation with Riverview Developments (ACT) Pty Ltd and undertakes land development at West Belconnen, across ACT and NSW borders. The assets, liabilities, income and expenses of the joint operation are proportionately consolidated in the financial statements of the Suburban Land Agency.

Summary

- The Audit Office issued an unmodified auditor’s report on the Suburban Land Agency’s 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- Revenue from contracts with customers ($551 million) was $150 million (37 percent) higher than the budgeted amount ($401 million) due to higher volume of land sales and prices.
- Write-down of inventory ($21 million) was not anticipated in the budget and relates to the value of land received free of charge from other ACT Government agencies and projects where the expected net realisable value is lower than cost, including sites being transferred for community use free of charge.
- The Audit Office has advised the Suburban Land Agency to liaise with the Environment, Planning and Sustainable Development Directorate to pursue establishing a more permanent basis for financial reporting of ACT Government’s interest in the West Belconnen Joint Venture in its financial statements.

Financial results

Table 4-40 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Revenue from contracts with customers	551	401	812
Cost of land sold	(193)	(181)	(340)
Gross profit on land sales	**358**	**220**	**472**
Other income	23	4	8
Write-down of inventory	(21)	-	(4)
Employee, supplies and services, and other expenses	(57)	(64)	(54)
Operating profit before income tax equivalents expense	**303**	**160**	**422**
Income tax equivalents expense	(91)	(48)	(127)
Operating profit	**212**	**112**	**295**

4.205 Revenue from contracts with customers ($551 million) was $150 million (37 percent) higher than the budgeted amount ($401 million) due to higher volume of land sales, higher than anticipated land prices, including residential blocks in Taylor, Whitlam, Strathnairn and a multi-unit block in Lyneham.

4.206 Cost of land sold ($193 million) was $12 million (7 percent) higher than the budgeted amount ($181 million) mainly due to higher land sales as discussed above.

4.207 Other income ($23 million) was (475 percent) higher than the budgeted amount mainly due to more than expected land received free of charge from other ACT Government agencies.

4.208 Write-down of inventory ($21 million) was not anticipated in the budget. To comply with Australian Accounting Standard AASB 102: ‘Inventories’, the Suburban Land Agency writes down:

- the value of land received free of charge from other ACT Government agencies to zero to measure land at the lower of its cost and net realisable value. As there is no cost to the Suburban Land Agency for the land transferred, these are recorded at ‘nil’ value; and
- the cost of inventory for discontinued projects where the criteria for an asset is no longer met and where the net realisable value of inventory is lower than its cost.

4.209 Employee, supplies and services, and other expenses ($57 million) were $7 million (11 percent) below the budgeted amount ($64 million). This was mainly due to lower than expected supplies and services expenses relating to marketing, consultant, contractor and asset management costs.

4.210 Income tax equivalents expense ($91 million) was $43 million (90 percent) higher than the budgeted amount ($48 million) because of higher gross profit.

4.211 Operating profit ($212 million) was $100 million (89 percent) more than the budgeted amount ($112 million) mainly as a result of higher volume of land sales and prices previously discussed.

Financial reporting arrangements for West Belconnen Joint Venture

4.212 The Suburban Land Agency reports ACT Government's interest in the West Belconnen Joint Venture in its financial statements.

4.213 The Environment, Planning and Sustainable Development Directorate (Directorate) has control over this interest. However, a written confirmation is currently provided by the Directorate to facilitate financial reporting of ACT Government's interest in the financial statements of the Suburban Land Agency. This arrangement is not permanent in nature as the Directorate has the discretion to change the reporting requirement on an annual basis.

4.214 Since 2020-21, the Audit Office has advised the Suburban Land Agency to continue to liaise with the Directorate to pursue establishing a more permanent arrangement for financial reporting of ACT Government's interest in the West Belconnen Joint Venture in its financial statements.

Superannuation Provision Account

4.215 The Superannuation Provision Account administers funds set aside to meet the defined benefit employer superannuation liabilities of the Territory. These defined benefit superannuation liabilities relate to:

- current and former ACT Government employees who are members of Commonwealth Government defined benefit superannuation schemes, the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS); and
- Members of the ACT Legislative Assembly who are eligible for the defined benefit superannuation scheme under the *Legislative Assembly (Members' Superannuation) Act 1991*.

4.216 The Commonwealth Superannuation Corporation (CSC) administers the CSS and PSS superannuation schemes and makes superannuation benefits payments to eligible members. The Territory reimburses CSC for the employer-financed share of the superannuation benefits paid for eligible current and former ACT Government employees from 1 July 1989. The superannuation liabilities incurred before this date are covered by the Commonwealth Government.

4.217 The CSS and PSS were closed to new members from 1 July 1990 and 1 July 2005 respectively. The Public Sector Superannuation Accumulation Plan (PSSap) was offered to employees from 1 July 2005 until 7 October 2006 when access to this scheme ceased. New employees are offered superannuation accumulation schemes of their choice.

Summary

- The Audit Office issued an unmodified auditor's report on the Superannuation Provision Account's 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- The operating deficit ($817 million) was substantially higher than the budgeted deficit ($256 million) by $561 million (219 percent) primarily due to an unanticipated net loss on the fair value of investments as market conditions weakened as a result of increasing financial market volatility, inflation and interest rates.
- The unfunded superannuation liability at 30 June 2022 ($5 931 million) exceeded the budgeted amount ($4 615 million) by $1 316 million largely due to:
    - lower than estimated financial assets resulting from the unanticipated net loss on the fair value of investments as market conditions weakened; and
    - higher than expected superannuation liability resulting from the use of higher salary growth and inflation assumptions, and lower actuarially assessed discount rate compared to the parameters used to estimate the present value of the superannuation liability.
- Annual cash payments required to discharge the superannuation obligations are projected to increase significantly over future years, peaking at $743 million in 2045 and then reducing until fully paid.

- The Superannuation Provision Account will continue to rely on budget appropriation funding to meet the annual cash payments for the Territory's superannuation obligations until the liability is fully covered by investment assets.

Financial Results

Table 4-41 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Income	112	144	248
Net (loss)/gain on the fair value of investments	(313)	216	556
Expenses	(616)	(616)	(484)
Operating (deficit)/surplus	**(817)**	**(256)**	**320**
Capital injections	**328**	**328**	**309**

4.218 The Superannuation Provision Account invests funds set aside to meet the defined benefit employer superannuation liabilities in Australian and global investment markets. As such these investments are subject to market risk and fluctuate according to global economic and financial conditions. Market conditions weakened in 2021-22 as a result of increasing financial market volatility, inflation and interest rates.

4.219 Income largely consists of distributions from investments held with the Territory Banking Account. Income ($112 million) was $32 million (22 percent) lower than budgeted ($144 million) as net distributions received on investments were lower than estimated.

4.220 The Superannuation Provision Account incurred a net loss on the fair value of investments ($313 million) compared to a budgeted net gain ($216 million) as a result of the weakened market conditions previously discussed.

4.221 Expenses mainly consist of superannuation costs associated with the estimated growth in the superannuation liability. The superannuation expense was consistent with budget.

4.222 The operating deficit ($817 million) was substantially higher than the budgeted deficit ($256 million) by $561 million (219 percent) primarily due to the previously discussed unanticipated net loss on the fair value of investments.

4.223 Capital injection appropriations fund the Superannuation Provision Account's cash requirements to meet annual superannuation emerging cost payments until such time as the superannuation liability is fully covered by investment assets. Capital injections of $328 million were consistent with the budgeted amount.

Actual unfunded superannuation liability

Table 4-42 Actual financial position

At 30 June	Actual 2018-19 $m	Actual 2019-20 $m	Actual 2020-21 $m	Actual 2021-22 $m	Budget 2021-22 $m
Financial assets – Note 1	4 237	4 322	5 132	4 941	5 488
Superannuation liability	(11 774)	(12 056)	(13 231)	(10 872)	(10 103)
Unfunded superannuation liability	**(7 537)**	**(7 734)**	**(8 099)**	**(5 931)**	**(4 615)**
Ratio of investments to superannuation liability	**0.4 to 1**	**0.4 to 1**	**0.4 to 1**	**0.5 to 1**	**0.5 to 1**

Source: Actual figures were obtained from Superannuation Provision Account's audited financial statements. Budget figures were obtained from 2021-22 Budget Papers.

Note 1: Financial assets consist of cash at bank, investment distributions receivable and investments.

4.224 The Superannuation Provision Account's financial assets which consist of cash at bank, investment distributions receivable and investments, are not sufficient to cover the superannuation liability, therefore a substantial component of the liability is unfunded.

4.225 The superannuation liability is valued to present value using a Commonwealth Government bond interest (discount) rate at the end of the financial year. This valuation is sensitive to changes in the discount rate due to the long-term settlement period of the liability. Therefore, the discount rate used to calculate the present value of the superannuation liability has a significant impact on its estimated value. A lower discount rate increases the estimated superannuation liability and a higher discount rate decreases the estimated superannuation liability.

4.226 The Superannuation Provision Account uses a long-term average discount rate in the budget and forward year estimates to remove significant valuation volatility resulting from changes in the Commonwealth Government bond interest rate from year to year.

4.227 The unfunded superannuation liability at 30 June 2022 ($5 931 million) exceeded the budgeted amount ($4 615 million) by $1 316 million largely due to:

- lower than anticipated fair value of investments resulting from the previously discussed weakened market conditions; and

- higher than expected superannuation liability resulting from the use of higher salary growth and inflation assumptions, and lower actuarially assessed discount rate compared to the parameters used to estimate the present value of the superannuation liability.

4.228 The unfunded superannuation liability at 30 June 2022 ($5 931 million) decreased from the unfunded position at 30 June 2021 ($8 099 million) by $2 168 million (27 percent) mainly due to the updates in demographic assumptions and financial assumptions (discount rates, salary inflation and consumer price index) following the 30 June 2020 triennial actuarial review.

4.229 The unfunded superannuation liability position has fluctuated significantly in recent years mostly due to the changes in the discount rate.

Projected unfunded superannuation liability

Table 4-43 Estimated forward years financial position

At 30 June	Actual 2021-22 $m	Estimate 2022-23 $m	Estimate 2023-24 $m	Estimate 2024-25 $m
Financial assets – Note 1	4 941	5 594	6 002	6 440
Superannuation liability	(10 872)	(9 175)	(9 426)	(9 657)
Unfunded superannuation liability	**(5 931)**	**(3 581)**	**(3 424)**	**(3 217)**
Ratio of investments to superannuation liability	**0.5 to 1**	**0.6 to 1**	**0.6 to 1**	**0.7 to 1**

Source: Actual figures were obtained from Superannuation Provision Account's audited financial statements. Forward estimate figures were obtained from the 2022-23 Budget Papers.

Note 1: Financial assets consist of cash at bank, investment distributions receivable and investments.

4.230 The ACT Government's plan to extinguish the unfunded superannuation liability over time requires the accumulation of funds set aside, with investment earnings re-invested to grow the investment portfolio and reduce the longer-term cost of the liability.

4.231 The unfunded superannuation liability position is estimated to significantly decrease by $2 714 million (46 percent) from $5 931 million at 30 June 2022 to an estimated $3 217 million by 30 June 2025 as reported in the forward estimates. This is due to estimated:

- increase in financial assets of $1 499 million (30 percent) over the forward years from the current balance of $4 941 million to $6 440 million by 30 June 2025 as a result of the previously mentioned re-investment plan to grow the investment portfolio; and

- reduction in the superannuation liability by $1 215 million (11 percent) from $10 872 million in the current year to $9 657 million by 30 June 2025 largely from superannuation payments.

4.232 For the significant estimated decrease in the unfunded superannuation liability to occur over the forward years, there would need to be:

- market conditions that enable the previously mentioned growth of the investment portfolio; and
- an increase in the discount rate used to estimate the superannuation liability, unless other assumptions used in the estimation were to change.

Table 4-44 Future superannuation cash payments schedule

Year ended 30 June	Nominal terms $m
2023	348
2028	463
2033	581
2038	684
2045 (peak)	743
2050	708
2055	622
2060	507

Source: Information above was obtained from the 'Report on Actuarial Investigation as at 30 June 2021' prepared by the Territory's consulting actuary, Willis Tower Watson. The actuarially assessed amounts are represented in nominal terms (i.e. not adjusted for inflation).

4.233 The annual cash payments required to meet superannuation obligations are projected to increase substantially in future years, peaking at $743 million in 2045 and then reducing over the years until fully paid. This reflects when employees, who are members of the CSS and PSS, are expected to retire over the next two decades. For many members, the retirement benefits provided under these defined benefit schemes will be taken as indexed pensions and will continue throughout their lives and that of their surviving spouses.

4.234 The Superannuation Provision Account will continue to rely on budget appropriation funding to meet the projected significant increase in annual cash payments for the Territory's superannuation obligations until the liability is fully covered by investment assets. The timing of when the superannuation liability becomes fully funded is subject to the achievement of estimated investment returns and the projected cash payments not significantly increasing beyond the estimated amounts in future years.

Transport Canberra and City Services Directorate

4.235 Transport Canberra and City Services Directorate (Directorate) is responsible for Canberra's municipal services and public transport planning functions. The Directorate undertakes planning, building and maintenance of majority of the Territory's infrastructure assets. It also operates linen cleaning services, domestic animal services, Yarralumla Nursery and Birrigai Outdoor School.

4.236 The Directorate has administrative oversight responsibility for the Cemeteries and Crematoria Authority which operates the Woden, Gungahlin, and Hall cemeteries.

4.237 Transport Canberra Operations, Canberra's public transport provider, is also part of the Directorate.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2021-22 financial statements.
- An unmodified limited assurance report with an emphasis of matter paragraph was issued to the Directorate on its 2021-22 statement of performance as the Directorate did not measure the result for an accountability indicator in Output Class 2.2: Library Services, h. 'Percentage of participants with a learning outcome from library programs' as required by the *Financial Management Act 1996*.
- The Directorate's net cost of services ($713 million) was $38 million (6 percent) higher than the budgeted cost ($675 million) due to higher than expected expenditure associated with the unbudgeted expensing of capital works in progress that did not meet the Directorate's asset recognition criteria under the Australian Accounting Standards, partially offset by lower than anticipated supplies and services expenses.
- Capital injections ($129 million) were $99 million (43 percent) lower than the budgeted amount ($228 million) mainly due to the deferral and delays in capital infrastructure projects.
- The Directorate did not resolve the two previously reported audit findings relating to monthly reconciliations of the waste management system and the finance system, and an accountability indicator whose result was not measured last year as required by the *Financial Management Act 1996*.
- One new audit finding was identified in 2021-22 as the Directorate did not have an approved strategic plan for its information and communication technology.

Financial results

Table 4-45 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(767)	(729)	(720)
Income	54	54	59
Net cost of services	**(713)**	**(675)**	**(661)**
Government contributions	467	477	464
Contributed assets from other ACT Government entities and private developers	32	164	145
Operating deficit	**(214)**	**(34)**	**(52)**
Capital injections	**129**	**228**	**140**

4.238 Transport Canberra and City Services Directorate' expenses mainly consist of employee costs, depreciation costs, contributions to Transport Canberra Operations, and supplies and services expenses such as contractors and consultancy costs, operating costs, repairs and maintenance and ICT services.

4.239 Total expenses of $767 million were $38 million (5 percent) higher than the budgeted amount of $729 million mainly due to unbudgeted expensing of capital works in progress that did not meet the Directorate's asset recognition criteria under the Australian Accounting Standards, partially offset by lower than anticipated supplies and services expenses, in particular contractor and consultancy expenses mostly due to deferral and delays in projects' feasibility, design studies and work approvals.

4.240 The Directorate's income is mostly derived from providing linen cleaning services, collecting fees for the disposal of contaminated waste at the Territory's landfill sites and the sale of plants from Yarralumla Nursery.

4.241 Income ($54 million) was consistent with the budgeted amount ($54 million).

4.242 The Directorate's net cost of services ($713 million) was $38 million (6 percent) higher than the budgeted cost ($675 million) due to the previously discussed higher than expected expenses.

4.243 Government contributions ($467 million) were $10 million (2 percent) lower than budgeted ($477 million) mainly as a result of deferral and delays in infrastructure projects' feasibility, design studies and work approvals.

4.244 Contributed assets from other ACT Government entities and private developers ($32 million) were $132 million (80 percent) lower than the budgeted amount ($164 million) primarily due to the lower than expected value of assets contributed from the Suburban Land Agency and private developers.

4.245 Capital injections ($129 million) were $99 million (43 percent) lower than the budgeted amount ($228 million) primarily due to deferral and delays in capital infrastructure projects such as Better buses to support the new bus network, Better connecting Belconnen and Gungahlin, and Woden Bus Depot Augmentation.

Table 4-46 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
2	-	-	2	1	3

4.246 The two previously reported audit findings remain unresolved. These relate to:

- the review of monthly reconciliations of the waste management system and the finance system which was first reported in 2019-20. Monthly reconciliations of the Newcastle Weighbridge System and ORACLE financial system were not always prepared and reviewed in a timely manner (i.e. within four weeks of month end). This increases the risk that errors and irregularities in revenue records will not be promptly followed up and resolved; and

- a result not measured in the statement of performance for an accountability indicator in Output Class 2.2: Library Services, h. 'Percentage of participants with a learning outcome from library programs' as required by the *Financial Management Act 1996*. This increases the risk of non-compliance with the requirements of the *Financial Management Act 1996.*

4.247 One new audit finding was identified in 2021-22. The Directorate does not have an approved strategic plan up-to-date for current information and communication technology as its 'Information and Technology Strategy 2017-2020' is the last strategic plan available. This increases the risk that planning, and implementation of new information technology systems will be less likely to be effective and may not meet emerging priorities and needs of the Directorate.

4.248 The Directorate has agreed to address all audit findings.

Transport Canberra Operations

4.249 Transport Canberra Operations is a business unit of the Transport Canberra and City Services Directorate (Directorate) and a separate reporting entity for financial reporting purposes. Information on the Directorate is provided earlier in this chapter.

4.250 Transport Canberra Operations' primary business is the provision of public transport services to the ACT community, for which subsidy in the form of contributions and capital payments are received from the Directorate.

4.251 Transport Canberra Operations is a Public Non-Financial Corporation for whole-of-government reporting purposes and is subject to the National Tax Equivalents Regime.

Summary

- The Audit Office issued an unmodified auditor's report on Transport Canberra Operations' 2021-22 financial statements and an unmodified limited assurance report on its 2021-22 statement of performance.
- Transport Canberra Operations' net cost of services ($244 million) was slightly higher than the budgeted cost ($238 million).
- Transport Canberra Operations' operating deficit before income tax equivalents of $37 million was materially consistent with the budgeted amount ($36 million).
- Capital payments received from the Directorate ($14 million) were $28 million (67 percent) lower than the budgeted amount ($42 million) largely due to deferrals and delays in capital works projects such as the new bus network, Woden depot and growing the public transport network.
- Transport Canberra Operations' public private partnership operational expenditure commitments for Canberra's light rail ($680 million) was $30 million lower than the prior year amount ($710 million) mainly due to monthly service payments made during the year.
- Three new audit findings were identified in 2021-22. Two findings relate to key governance documentation, and one finding relates to improving financial reporting practices.

Financial results

Table 4-47 Key results

	Actual 2021-22 $m	Budget 2021-22 $m	Actual 2020-21 $m
Expenses	(262)	(268)	(273)
Revenue	18	30	24
Net cost of services	**(244)**	**(238)**	**(249)**
Government contributions	207	202	203
Operating deficit before income tax equivalents	**(37)**	**(36)**	**(46)**
Income tax equivalents income	11	-	14
Operating deficit	**(26)**	**(36)**	**(32)**
Capital funding received from Transport Canberra and City Services Directorate	**14**	**42**	**16**

4.252 Transport Canberra Operations' expenses mostly consist of employee expenses, depreciation costs and supplies and services costs, such as light rail service payments to the Canberra Metro consortium (Canberra Metro); and bus operating costs including fuel, maintenance and insurance.

4.253 Expenses ($262 million) were $6 million (2 percent) lower than the budgeted amount ($268 million) primarily due to lower borrowing expenses as the light rail financial liability was refinanced at a lower interest rate, partially offset by higher employee expenses resulting from additional staff employed during the COVID-19 pandemic to undertake cleaning.

4.254 Transport Canberra Operations' revenue is primarily from passenger fares on the public transport network.

4.255 Total revenue of $18 million was $12 million (40 percent) lower than the budgeted revenue of $30 million due to a reduction in public transport passenger fare revenue as a result of the COVID-19 pandemic.

4.256 Net cost of services ($244 million) was $6 million (3 percent) higher than the budgeted net cost of services ($238 million) due to the previously discussed lower than expected revenue partially offset by the lower than expected expenses.

4.257 Government contributions ($207 million) were slightly higher than the budgeted amount ($202 million).

4.258 The operating deficit before income tax equivalents of $37 million was consistent with the budgeted amount of $37 million.

4.259 Transport Canberra Operations recorded an unbudgeted income tax equivalents income of $11 million as this income was not anticipated in the budget.

4.260 Capital payments received from the Directorate ($14 million) were $28 million (67 percent) lower than the budgeted amount ($42 million) largely due to deferrals and delays in capital works projects such as the new bus network, Woden depot and growing the public transport network.

Table 4-48 Light Rail Project - Public Private Partnership Commitments

	Operational Commitments (excluding GST)	
	2021-22 $m	**2020-21 $m**
Within one year	31	30
Later than one year but not later than five years	142	138
Later than five years	507	542
Total Public Private Partnership Commitments	**680**	**710**

Source: Note 18: 'Capital and other expenditure commitments' of Transport Canberra Operations' audited financial statements.

4.261 At 30 June 2022, Transport Canberra Operations had $680 million in commitments for the public-private partnership with Canberra Metro to operate and maintain Canberra's light rail. The 20-year contracted term will end in 2039 after which the ACT Government will assume ownership of the light rail network assets.

4.262 The commitments for the operation of Canberra's light rail ($680 million) was $30 million lower than the prior year ($710 million) mainly due to monthly service payments made during the year.

Audit findings

Table 4-49 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
-	-	-	-	3	3

4.263 Three new audit findings were identified in 2021-22 relating to financial reporting and governance arrangements.

4.264 Transport Canberra Operations did not formally document its assessment that the carrying amount of property, plant and equipment not subject to valuation in the current year, did not materially differ from their fair value at the end of the reporting period as required by the Australian Accounting Standards. This increases the risk of non-compliance with the requirements of Australian Accounting Standards.

4.265 Transport Canberra Operations (TCO) agreed to address this audit finding and advised:

> TCO will prepare an annual assessment report to formally document the review to confirm the carrying amount of assets are held at fair value.

4.266 Transport Canberra Operations did not have an approved asset accounting policy specific to its operations as it currently uses the Directorate’s asset accounting policy which has not been specifically tailored to support Transport Canberra Operations’ strategic asset management requirements. This increases the risk that asset management information reported in Transport Canberra Operations’ financial statements is less likely to be accurate, comparable and consistent over the years.

4.267 Transport Canberra Operations (TCO) agreed to address this audit finding and advised:

> The Policy will be updated to specifically reference TCO's asset categories to support its strategic asset management requirements.

4.268 Transport Canberra Operations does not have an approved strategic plan up-to-date for current information and communication technology as its ‘Information and Technology Strategy 2017-2020’ is the last strategic plan available. This increases the risk that planning, and implementation of new information technology systems will be less likely to be effective and may not meet emerging priorities and needs of Transport Canberra Operations.

4.269 Transport Canberra Operations agreed to address this audit finding and advised:

> The first workshops to commence the development of a new ICT/Digital Strategy have been scheduled for November 2022 and a new Strategy will be finalised before the end of the financial year.

University of Canberra

4.270 The University of Canberra (University) provides graduate and post-graduate education to Australian and international students. The University also provides research, consultancy and student accommodation services.

4.271 In 2021, the University controlled:

- UCX Ltd which provides goods and services to the staff, students and visitors to the campus;
- UC Global Pty Limited which provides business services, including contract management, market analysis and other specialist commercial management services to the education industry;
- WJ Weeden Post-Graduate Scholarship Trust Fund which provides scholarships to students enrolled at the University for post-graduate studies; and
- University of Canberra Royal Institute of Public Administration Research Fund which provides funds to conduct research projects and the production of publications relating to public administration studies.

4.272 The Audit Office audited the 2021 financial statements of:

- the University under the *Financial Management Act 1996* (as amended by the *University of Canberra Act 1989*), and the *Australian Charities and Not-for-profits Commission Act 2012*; and
- UCX Ltd under the *Australian Charities and Not-for-profits Commission Act 2012*.

Summary

- The Audit Office issued an unmodified auditor’s report on the 2021 financial statements of the University.
- The University’s 2021 operating surplus ($99 million) was $69 million higher than prior year surplus ($30 million) primarily due to significant investment income earned from investment held in Education Australia Limited.
- The University had net short-term liabilities of $17 million at 31 December 2021. It disclosed in its financial statements that it can meet these short-term liabilities using undrawn borrowing facilities with banks, funding provided by the Commonwealth Government and other university related funding. The University will need to continue to carefully manage its cash flows to meet these short-term liabilities.
- Two of the nine previously reported audit findings were resolved. One related to payroll payment control and the other to review of payroll reports.
- Five of the nine previously reported audit findings were partially resolved. Four of these audit findings related to weaknesses over computer information systems and one

related to improving financial reporting processes to resolve long-standing credit balances in student and sponsor fee accounts.

- Two of the nine previously reported audit findings were not resolved. One relating to insufficient documentation over computer information systems and one relating to internal controls over financial management policies.
- Three new audit findings were identified in 2021. Two relating to insufficient evidence over the preparation and review of financial reconciliations and assessment for revenue recognition and one relating to pay variation review controls.

Financial results

Table 4-50 Key results (calendar years)

University of Canberra Group – Note 1	Actual 2021 $m	Actual 2020 $m
Income	386	316
Expenses	(287)	(286)
Operating surplus	**99**	**30**

Note 1: The financial information presented is for the University and its controlled entities.

4.273 Income mainly consists of Commonwealth Government financial assistance for student places, higher education loan programs, research activities, domestic and international student fees, and revenue from providing student accommodation.

4.274 University's income in 2021 also consisted of investment income arising from restructure of shares held in Education Australia Limited. During 2021, a restructure of Education Australia Limited resulted in the University becoming direct shareholders in IDP Education Limited and receiving a combination of cash dividends, dividends and franking credits.

4.275 Income ($386 million) was $70 million higher than the prior year amount ($316 million) mainly due to the previously mentioned significant investment income earned from the University's investment in Education Australia Limited.

4.276 Expenses consists mainly of employee costs, administrative expenses, and depreciation and amortisation. Expenses have remained consistent with the prior year.

4.277 The University's 2021 operating surplus ($99 million) was $69 million higher than the prior year operating surplus ($30 million) primarily due to the increase in investment income discussed above.

Financial position

Table 4-51 Net short-term liabilities (calendar years)

University of Canberra Group – Note 1 **At 31 December**	**Actual 2021 $m**	**Actual 2020 $m**
Short-term assets - Note 2	95	54
Short-term liabilities - Note 3	112	94
Net short-term liabilities	**(17)**	**(40)**
Ratio of short-term assets to short-term liabilities	**0.8 to 1**	**0.6 to 1**

Note 1: The financial information presented is for the University and controlled entities.

Note 2: Short-term assets ($95 million) consist of current assets ($96 million) as presented in the Statement of Financial Position minus restricted cash ($0.4 million) held in the University of Canberra Royal Institute of Public Administration Research Fund and WJ Weeden Post-Graduate Scholarship Trust Fund. Current restricted cash was subtracted from current assets as these funds cannot be used to pay liabilities.

Note 3: Short-term liabilities ($112 million) are less than current liabilities ($123 million) presented in the Statement of Financial Position. Short-term liabilities only include liabilities expected to be paid within 12 months as this provides a better indication of the short-term asset coverage.

4.278 At 31 December 2021, the University's consolidated short-term liabilities ($112 million) exceeded its short-term assets ($95 million) by $17 million (15 percent). The amount by which short-term liabilities exceeded short-term assets decreased from $40 million at 31 December 2020 to $17 million at 31 December 2021. This was largely due to the University having a larger trade receivables balance arising from franking credit receivables on Education Australia Limited franked dividends. The University also reclassified land previously held in property, plant and equipment to available for sale assets as part of an arrangement to sell the land to be developed by a commercial construction partner into residential dwellings.

4.279 The University's financial statements disclose that it can meet its short-term liabilities using undrawn borrowing facilities with banks, funding provided by the Commonwealth Government and other university related funding. However, the net short-term liability position means that the University needs to continue to carefully manage its cash flows to ensure that it can meet its short-term liabilities.

Audit findings

Table 4-52 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
9	(2)	5	2	3	10

4.280 Two of the nine previously reported audit findings were resolved, five are partially resolved, and two are not resolved. Three new audit findings were identified during the audit of the 2021 financial statements.

4.281 Two previously reported audit findings were resolved. In prior years, the Audit Office recommended the University:

- improve the controls surrounding payroll payments by generating electronic funds transfer payment file that are non-editable or by implementing processes to monitor any changes to this file. The University resolved this finding by introducing an automated control that saves the payment file in a restricted folder for a short timeframe before it is automatically uploaded into the University's electronic banking platform; and
- perform regular reviews of fortnightly salary reports in a timely manner and retain documented evidence of this review. Since 2012, the Audit Office has reported that these reviews were not always documented or performed in a timely manner. In 2021, the Audit Office concluded that this control is ineffective and has considered alternative controls in place to detect erroneous or fraudulent payments to employees such as application controls over the payroll system and manual review of pay variation reports to identify discrepancies in employee pay from the previous pay fortnight. The Audit Office has resolved this finding as the fortnightly review of payroll reports are no longer considered a key control.

4.282 Five previously reported audit findings remain partially resolved. In prior years, the University:

- had long-standing credit balances in many student and sponsor fee accounts recorded in its student administration system. These credit balances are money received by the University more than three years ago that need to be reviewed and corrected against a receivable in the system, a refund provided to the relevant student or sponsor and/or recognise as fee income. The University performed a detailed review of these long standing balances, which was documented and formally approved internally. However, the finding remains partially resolved as adjustments resulting from the detailed review were not made to individual student and sponsor fee accounts. The University has agreed to address this audit finding;
- restricted system administrators from making changes to their computers, however other users can make changes to their computers where the user submits a request for

local administrator rights, and this is approved. The University's controls over providing local administrator rights are inadequate as there was not always an apparent business need for providing this access to some users, nor was there evidence that the software installed by users with this access is security assessed or subject to ongoing security patching. This increases the risk that the computers of the users holding local administrator privileges could be compromised and introduce security threats to the University network which could remain undetected. The University has partially agreed to resolve this finding and are undertaking consultation and education programs as part of implementing new application security controls and protocols across its network;

- general information technology controls were assessed against those recommended in the Essential Eight mitigation strategies set out by the Australian Cyber Security Centre (ACSC). The University agreed and implemented a number of the essential eight controls. Some key controls that provide protection against malware being executed by malicious actors, such as application whitelisting (permitting only specified applications to operate on systems) had not been implemented. This presents a higher risk that the University's information technology network environment and applications could be compromised. The University has partially agreed to recommendations to implement application whitelisting in accordance with the actions identified in their implementation plan;
- had not documented its procedures for managing privileged user access, placed appropriate restrictions on privileged users (administrator) accounts[1] and regularly monitored the activities of these users. This increases the risk of inappropriate use of privileged accounts and these accounts being compromised. The University has implemented most recommendations such as documenting procedures and introducing controls to monitor privileged user activities. However, the University has only partially agreed to the recommendation relating to conducting a risk assessment to assess whether further restriction on privileged user accounts is warranted; and
- could not provide evidence that database privileged users (administrators) activities for the University's financial management, payroll and student administration systems were being logged and monitored, or an alternative mitigating control exists. Since administrator users have the ability to perform higher risk activities in key applications without approval, there is an increased risk of unauthorised (including fraudulent) access to the system and its data, and that any such changes remain undetected. The University has agreed to address this audit finding relating to implementing internal processes based on the results of a risk assessment that was conducted during 2021.

[1] Privileged user (administrator) access provides these users with considerable access within an entity's network and applications, and the ability to perform higher risk activities in applications without approval.

4.283 Two previously reported audit findings were not resolved. These relate to:

- the review of financial management policies and procedures. Some policies continue to remain outdated as they refer to processes or systems that are no longer used or positions of approving officers that no longer exist. This increases the risk that such policies and procedures will not be adequately or consistently applied, which in turn increases the risk of irregularities and fraud. The University has agreed to address this audit finding; and

- deficiencies in the University's application specific security documentation for key financial information technology applications. The University has not developed System Security Plans, Continuous Monitoring Plans, Security Assessment Reports or Plans of Action and Milestones, recommended as better practice in the Information Security Manual[2]. The absence of system specific documentation creates a higher risk that security related activities for key financial application systems may not be enforced resulting in inappropriate system access and insufficient monitoring of high-risk activities that have the potential to compromise the integrity of payments and financial data. The University has partially agreed to the recommendation and has advised that it has finalised plans subsequent to the audit for its key financial systems tailored for the University internal assessment.

4.284 Three new audit findings were identified in 2021. These relate to:

- deficiencies in the University's processes for evidencing the preparation, review and timing of its financial reconciliations. The University prepares its reconciliations electronically subsequent to the COVID-19 pandemic with electronic signatures and dates. However these signatures were modifiable, which increases the risk that these signatures are not authentic and insufficient for evidencing controls for segregation of duties. The University has agreed to implement electronic signatures with time stamps that cannot be modified post completion of its reconciliations;

- improvements that can be made to existing processes to monitor changes to employee data and identify pay variations in employee pays. The University currently relies on its application controls for its payroll system and a manual control performed by the payroll team to monitor and verify variations to employee pays each fortnight. However, review of changes to employee data within the payroll system are not documented. Furthermore, the results of manual check performed are not formally documented for the preparer and reviewer checks. Where controls are not effectively established and documented there is a higher risk that incorrect or fraudulent employee payment will not be promptly detected and addressed. The University has agreed with the recommendations to strengthen controls; and

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[2] https://www.cyber.gov.au/acsc/view-all-content/ism

- lack of documentation on the assessment of which accounting standard for revenue recognition is applicable for research and consultancies contracts. The University did not retain documentation demonstrating how it assessed which accounting standard was applicable to its contract. This increases the risk of incorrect application of Australian Accounting Standards and recognition of revenue by the University where processes established to determine the revenue recognition applicable to contracts are not sufficiently documented or reviewed by the appropriate delegate. The University has agreed to the recommendations to document its rationale for determining which accounting standard is applicable to its contracts, and ensuring a review of the assessment is carried out.

APPENDIX A: KEY TERMS

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 in accordance with the Australian Auditing Standards.

Auditor's report on financial statements

An auditor's report with an unmodified audit opinion is issued where the Auditor-General 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.

Statements of performance

A statement of performance shows 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.

The statement of performance is also required to 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.

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

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 those performed in an audit of financial statements and therefore a lower level of assurance is provided.

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.

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.

The limited assurance report does not include an opinion on the relevance or usefulness of the accountability indicators or targets 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 report 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 paragraph 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.

Materiality

In assessing whether information included in financial statements or statement 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 statement of performance.

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

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

Rounding

The totals for the financial information included in the tables of this report may not add as the figures are rounded to the nearest million dollars.

Misstatements

Misstatements are the amount by which the correct amount varies from the reported amounts. Misstatement may be caused by errors or fraud (deliberate misreporting).

Net assets

Net assets are the amount by which total assets exceed total liabilities.

Net operating balance

Net operating balance is the difference between revenue and expenses. The net operating balance is ‘in surplus’ where revenue exceeds expenses and is ‘in deficit’ where expenses exceed revenue.

Operating results

The operating surplus/(deficit) is the sum of the net operating balance and other economic flows. Other economic flows mainly comprise gains/(losses) on investments and land revenue. These gains/(losses) mostly reflect changes in market conditions that affect the value of investments and land.

Net cost of services

The net cost of services shows how much of an agency’s operations can be funded from the revenue it generates and the extent of reliance on government funding to subsidise its operations.

The net cost of services is the difference between total expenses and the revenue generated by an agency. It excludes government contributions and income or expenses not directly relating to the agency’s operations such as those from transferring assets from/to other ACT Government agencies.

Present value

Present value is the estimate of the current value of the future net cash flows using a discount rate prevalent in the market. The reported amount will be higher when a lower discount rate is applied and vice-versa assuming other factors being equal.

Discount rate

Discount rate is the interest rate used to calculate the present value.

APPENDIX B: AGENCIES INCLUDED IN THE TERRITORY'S FINANCIAL STATEMENTS

The following agencies are included in the Territory's financial statements[3].

ACT Audit Office

ACT Electoral Commission

ACT Executive

ACT Gambling and Racing Commission

ACT Health Directorate

ACT Insurance Authority

ACT Integrity Commission

ACT Local Hospital Network Directorate

Cemeteries and Crematoria Authority

Canberra Health Services

Canberra Institute of Technology

Chief Minister, Treasury and Economic Development Directorate

CIT Solutions Pty Limited

City Renewal Authority

Community Services Directorate

Cultural Facilities Corporation

Education Directorate

Environment, Planning and Sustainable Development Directorate

Housing ACT

Icon Water Limited

Independent Competition and Regulatory Commission

Justice and Community Safety Directorate

Legal Aid Commission (ACT)

Lifetime Care and Support Fund

Major Projects Canberra

Motor Accidents Injury Commission

Office of the Legislative Assembly

Office of the Work Health and Safety Commissioner

Public Sector Workers Compensation Fund

[3] Note 3 on page 15 of the 2021-22 Australian Capital Territory Government Consolidated Annual Financial Statements.

Public Trustee and Guardian

Suburban Land Agency

Superannuation Provision Account

Territory Banking Account

Transport Canberra and City Services Directorate

Transport Canberra Operations

Auditor-General's Reports

Reports Published in 2021-22	
Report No. 09 – 2022	ACT Emergency Services Agency cleaning services arrangements
Report No. 08 – 2022	2021-22 Financial Audits Overview
Report No. 07 – 2022	ACT Childhood Healthy Eating and Active Living Programs
Report No. 06 – 2022	Annual Report 2021-22
Report No. 05 – 2022	Procurement and contracting activities for the Acton Waterfront Project
Report No. 04 – 2022	Governance arrangements for the planning of services for Parkwood, Ginninderry
Report No. 03 – 2022	Taxi Subsidy Scheme
Report No. 02 – 2022	Fraud Prevention
Report No. 01 – 2022	Management of detainee mental health services in the Alexander Maconochie Centre
Report No. 13 – 2021	Campbell Primary School Modernisation Project Procurement
Report No. 12 – 2021	2020-21 Financial Audits – Financial Results and Audit Findings
Report No. 11 – 2021	Digital Records Management
Report No. 10 – 2021	2020-21 Financial Audits Overview
Report No. 09 – 2021	Annual Report 2020-21
Report No. 08 – 2021	Canberra Light Rail Stage 2a: Economic Analysis
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Report No. 07 – 2021	Procurement Exemptions and Value for Money
Report No. 06 – 2021	Teaching Quality in ACT Public Schools
Report No. 05 – 2021	Management of Closed-Circuit Television Systems
Report No. 04 – 2021	ACT Government's vehicle emissions reduction activities
Report No. 03 – 2021	Court Transport Unit Vehicle – Romeo 5
Report No. 02 – 2021	Total Facilities Management Contract Implementation
Report No. 01 – 2021	Land Management Agreements
Report No. 10 – 2020	2019-20 Financial Audit – Financial Results and Audit Findings
Report No. 09 – 2020	2019-20 Financial Audits Overview
Report No. 08 – 2020	Annual Report 2019-20

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