

**ACT AUDITOR-GENERAL'S REPORT**  
**2020-21 FINANCIAL AUDITS**  
**OVERVIEW**

REPORT NO. 10 / 2021

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## **ACT Audit Office**

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

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

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

The Office also conducts performance audits, to examine whether a Government agency is carrying out its activities effectively and efficiently and in compliance with relevant legislation.

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

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A21/52

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 '2020-21 Financial Audits – Overview' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Michael Harris  
Auditor-General  
16 November 2021

*The ACT Audit Office acknowledges the Ngunnawal people as traditional custodians of the ACT and pays respect to the elders; past, present and future. The Office acknowledges and respects their continuing culture and the contribution they make to the life of this city and this region.*



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# SUMMARY

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The ACT Audit Office (Audit Office) reports on ACT Government agencies' financial statements and statements of performance to inform the ACT community and the ACT Legislative Assembly on whether ACT Government directorates, authorities, companies and other reporting entities have provided, in all material respects, a true and fair view of their financial results and operating performance for the reporting period.

In 2020-21, the Audit Office conducted:

- audits of 62 financial statements with reporting periods primarily ending 31 December 2020 and 30 June 2021;
- limited assurance engagements on 30 statements of performance with reporting periods ending 31 December 2020 and 30 June 2021; and
- one compliance audit.

This report provides a summary of the results of financial statements audits and limited assurance engagements on statements of performance. It also includes information on the Audit Office's assessment of the quality and timeliness of financial statements and statements of performance submitted by reporting entities.

This is the first of two reports on 2020-21 financial audits and will be followed by a report titled 'Financial Results and Audit Findings'.

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

## Conclusions

### RESULTS OF FINANCIAL STATEMENTS AUDITS

No modified auditor's reports were issued in 2020-21 as all financial statements audited in 2020-21 materially complied with the relevant accounting and financial reporting requirements. They also presented, in all material respects, a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit remained high with 89 percent of financial statements prepared by reporting agencies rated as good or satisfactory.

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

### RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

No modified limited assurance reports were issued in 2020-21. No matters were identified from the limited assurance engagements performed on reporting agencies’ statements of performance to indicate that reported results were materially incorrect or unable to be independently verified. However, the limited assurance reports of two agencies contained emphasis of matter paragraphs as the Audit Office identified instances of non-compliance with the requirements of the *Financial Management Act 1996*.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office remained high with 94 percent of statements of performance prepared by reporting agencies (28 of 30) rated as good or satisfactory.

All except three reporting agencies provided their statements of performance to the Audit Office in accordance with the whole-of-government reporting timetable. The agencies that were late provided their statements of performance within two days after the due date.

## Key findings

### RESULTS OF FINANCIAL STATEMENTS AUDITS

Paragraph

No modified auditor’s reports were issued in 2020-21.	2.8
All agency financial statements audited by the Audit Office in 2020-21, in all material respects, provided a true and fair view of the reporting agency’s financial performance and financial position and materially complied with the relevant financial reporting requirements.	2.9
The Audit Office issued an unmodified compliance auditor’s report on the Public Trustee and Guardian’s compliance with the <i>Public Ancillary Fund Guidelines 2011</i> for the Capital Region Community Foundation Gift Fund.	2.10
The overall quality of the financial statements submitted to the Audit Office by reporting agencies remained high in 2020-21 with 89 percent (47 of 53 <sup>1</sup> ) of the	2.14

<sup>1</sup> The quality of nine of the 62 reporting entities’ financial statements has not been assessed by the Audit Office. These relate mainly to acquittal audits for which agencies complete a form to acquit the spending of funding received from the Commonwealth Government.



financial statements submitted for audit rated as either good or satisfactory compared to a similar proportion, 89 percent (49 of 55) in 2019-20.

Compliance with the whole-of-government reporting timetable for reporting agencies to provide their financial statements to the Audit Office declined slightly from 97 percent (32 of 33) in 2019-20 to 94 percent (30 of 32<sup>2</sup>) in 2020-21. Of the two reporting agencies that did not comply with the whole-of-government reporting timetable:

- one provided its financial statements to the Audit Office one day after the due date; and
- the other provided their financial statements 10 days after the due date.

## RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

Paragraph

No modified limited assurance reports were issued in 2020-21. No matters were identified which would indicate the reported results of the accountability indicators included in reporting agencies' statements of performance were not materially correct or could not be independently verified following the limited assurance engagements. 3.8

However, the limited assurance reports issued on the statements of performance of two agencies contained emphasis of matter paragraphs as the Audit Office identified instances of non-compliance with the requirements of the *Financial Management Act 1996* as follows: 3.9

- the Transport Canberra and City Services Directorate did not measure the result of one accountability indicator and advised this was due to the COVID-19 pandemic circumstances; and
- the Environment, Planning and Sustainable Development Directorate did not establish any accountability indicators for one of its output classes and advised that this was due to the completion of the delivery of a program which occurred in 2019-20.

There was no change in the overall quality of the statements of performance submitted by reporting agencies to the Audit Office in 2020-21 from prior year and the quality remained high with 94 percent (28 of 30) rated either good or satisfactory. 3.12

Compliance with the whole-of-government reporting timetable for providing reporting agencies' statements of performance to the Audit Office significantly improved in 2020-21 as 90 percent (26 of 29<sup>3</sup>) of the agencies complied with the reporting timetable compared to 79 percent (23 of 29) in 2019-20. 3.19

<sup>2</sup> 32 of the 62 reporting entities are required to comply with the whole-of-government reporting timetable.

<sup>3</sup> One of the reporting agencies' statement of performance was prepared for the 31 December 2020 reporting period and therefore is not required to comply with the whole-of-government reporting timetable.



# 1 AUDITOR'S REPORTS AND LIMITED ASSURANCE REPORTS

- 1.1 In 2020-21, the Audit Office issued 62 auditor's reports on financial statements, 30 limited assurance reports on statements of performance and 1 compliance auditor's report. Table 1-1 below lists these reports.
- 1.2 The types of reports issued on financial statements and statements of performance are explained in *Appendix A: Key Terms and Rating Criteria*.
- 1.3 The auditor's report on the Territory's Consolidated Annual Financial Statements has not been completed at the date of tabling of this report as section 24(4) of the *Financial Management Act 1996* was amended in September 2021 to require the 2020-21 auditor's report on the Territory's Consolidated Annual Financial Statements to be provided within 5 months after the end of the financial year (by 30 November) rather than within 4 months after the end of the financial year (by 31 October). This amendment was made due to the COVID-19 pandemic circumstances and lockdown restrictions in the Territory.

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

	Auditor's Reports	Limited Assurance Reports
<b>Directorates</b>		
ACT Electoral Commission	Unmodified	Not applicable
ACT Executive	Unmodified	Not applicable
ACT Health Directorate	Unmodified	Unmodified
ACT Integrity Commission	Unmodified	Not applicable
ACT Local Hospital Network Directorate	Unmodified	Unmodified
Canberra Health Services	Unmodified	Unmodified
Chief Minister, Treasury and Economic Development Directorate	Unmodified	Unmodified
Community Services Directorate	Unmodified	Unmodified
Education Directorate	Unmodified	Unmodified
Environment, Planning and Sustainable Development Directorate	Unmodified	Unmodified
Housing ACT	Unmodified	Unmodified
Justice and Community Safety Directorate	Unmodified	Unmodified
Lifetime Care and Support Fund	Unmodified	Unmodified
Major Projects Canberra	Unmodified	Unmodified
Office of the Legislative Assembly	Unmodified	Not applicable
Public Sector Workers Compensation Fund	Unmodified	Unmodified
Superannuation Provision Account	Unmodified	Unmodified

	<b>Auditor's Reports</b>	<b>Limited Assurance Reports</b>
<b>Directorates – continued</b>		
Territory Banking Account	Unmodified	Unmodified
Transport Canberra and City Services Directorate	Unmodified	Unmodified
Transport Canberra Operations	Unmodified	Unmodified
<b>Authorities</b>		
ACT Building and Construction Industry Training Fund Authority	Unmodified	Unmodified
ACT Gambling and Racing Commission	Unmodified	Unmodified
ACT Insurance Authority	Unmodified	Unmodified
Cemeteries and Crematoria Authority (previously ACT Public Cemeteries Authority)	Unmodified	Unmodified
Canberra Institute of Technology	Unmodified	Unmodified
City Renewal Authority	Unmodified	Unmodified
Cultural Facilities Corporation	Unmodified	Unmodified
Independent Competition and Regulatory Commission	Unmodified	Unmodified
Legal Aid Commission (ACT)	Unmodified	Unmodified
Long Service Leave Authority	Unmodified	Unmodified
Motor Accident Injuries Commission	Unmodified	Unmodified
Office of the Work Health and Safety Commissioner	Unmodified	Unmodified
Public Trustee and Guardian	Unmodified	Unmodified
Suburban Land Agency	Unmodified	Unmodified
Teacher Quality Institute	Unmodified	Not applicable
University of Canberra	Unmodified	Not applicable
<b>Territory-owned corporations and other companies</b>		
CIT Solutions Pty Limited	Unmodified	Not applicable
Community Housing Canberra Limited	Unmodified	Not applicable
Icon Distribution Investments Limited	Unmodified	Not applicable
Icon Retail Investments Limited	Unmodified	Not applicable
Icon Water Limited	Unmodified	Not applicable
UCX Ltd	Unmodified	Not applicable
<b>Joint ventures and partnerships</b>		
ActewAGL Distribution Partnership	Unmodified	Not applicable
ActewAGL Joint Venture Special Purpose Financial Report	Unmodified	Not applicable
ActewAGL Joint Venture Summary Financial Report	Unmodified	Not applicable
ActewAGL Retail Partnership	Unmodified	Not applicable
West Belconnen Joint Venture	Unmodified	Not applicable

	<b>Auditor's Reports</b>	<b>Limited Assurance Reports</b>
<b>Other audits</b>		
ACT Veterinary Surgeons Board	Unmodified	Not applicable
Canberra Business Development Fund (30 June 2019)	Unmodified	Not applicable
Capital Region Community Foundation Gift Fund	Unmodified	Not applicable
Capital Region Community Foundation Open Fund	Unmodified	Not applicable
Commonwealth funding under the <i>National Land Transport Act 2014 - Black Spot Projects</i>	Unmodified	Not applicable
Commonwealth funding under the <i>National Land Transport Act 2014 - National Projects</i>	Unmodified	Not applicable
Commonwealth funding under the <i>National Land Transport Act 2014 - Roads to Recovery</i>	Unmodified	Not applicable
Commonwealth funding under the <i>Local Roads and Community Infrastructure Program Guidelines</i>	Unmodified	Not applicable
Default Insurance Fund	Unmodified	Not applicable
Disaster recovery funding under the Commonwealth Government's <i>Disaster Recovery Funding Arrangements 2018</i>	Unmodified	Not applicable
Gungahlin Cemetery, Woden Cemetery, Woden Mausoleum, and Hall Cemetery Perpetual Care Trusts	Unmodified	Not applicable
National Health Funding Pool Account for the ACT	Unmodified	Not applicable
Office of the Nominal Defendant of the ACT	Unmodified	Not applicable
Public Trustee and Guardian - Trust Account	Unmodified	Not applicable
University of Canberra Research Income Return	Unmodified	Not applicable
<b>Compliance audit</b>		
Public Trustee and Guardian - Compliance with the <i>Public Ancillary Fund Guidelines 2011</i>	Unmodified	Not applicable



## 2 RESULTS OF FINANCIAL STATEMENTS AUDITS

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### Introduction

- 2.1 The Audit Office is required to provide an independent auditor's report on the financial statements of the Territory, ACT Government directorates and authorities under the *Financial Management Act 1996*.
- 2.2 Other ACT Government related reporting agencies and other reporting entities are also required by various legislation or reporting requirements to prepare financial statements and have them audited by the Audit Office, including the *Corporations Act 2001*, the *Australian Charities and Not-for-profits Commission Act 2012*, joint venture arrangements, trust deeds and Commonwealth Government funding agreements.
- 2.3 The independent auditor's report issued by the Audit Office on the financial statements includes an opinion on whether the financial statements provide, in all material respects, a true and fair view of the financial position and financial performance of the reporting agency for the reporting period and are presented in accordance with the relevant reporting and disclosure requirements, including Australian Accounting Standards.
- 2.4 Where it is concluded that the financial statements meet these requirements an unmodified auditor's report is provided on the financial statements. Where these requirements are not met a modified auditor's report is issued on the financial statements.
- 2.5 The Audit Office assesses the quality and timeliness of the financial statements submitted by reporting agencies for audit to provide an overview of the effectiveness of the financial reporting arrangements implemented by reporting agencies.

### Overall finding

No modified auditor's reports were issued in 2020-21 as all financial statements audited in 2020-21 materially complied with the relevant accounting and financial reporting requirements. They also presented, in all material respects, a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit remained high with 89 percent of financial statements prepared by reporting agencies rated as good or satisfactory.

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

## Key findings

	Paragraph
No modified auditor's reports were issued in 2020-21.	2.8
All agency financial statements audited by the Audit Office in 2020-21, in all material respects, provided a true and fair view of the reporting agency's financial performance and financial position and materially complied with the relevant financial reporting requirements.	2.9
The Audit Office also issued an unmodified compliance auditor's report on the Public Trustee and Guardian's compliance with the <i>Public Ancillary Fund Guidelines 2011</i> for the Capital Region Community Foundation Gift Fund.	2.10
The overall quality of the financial statements submitted to the Audit Office by reporting agencies remained high in 2020-21 with 89 percent (47 of 53 <sup>4</sup> ) of the financial statements submitted for audit rated as either good or satisfactory compared to a similar proportion, 89 percent (49 of 55) in 2019-20.	2.14
Compliance with the whole-of-government reporting timetable for reporting agencies to provide their financial statements to the Audit Office declined slightly from 97 percent (32 of 33) in 2019-20 to 94 percent (30 of 32 <sup>5</sup> ) in 2020-21. Of the two reporting agencies that did not comply with the whole-of-government reporting timetable: <ul style="list-style-type: none"> <li>• one provided its financial statements to the Audit Office one day after the due date; and</li> <li>• the other provided their financial statements 10 days after the due date.</li> </ul>	2.22

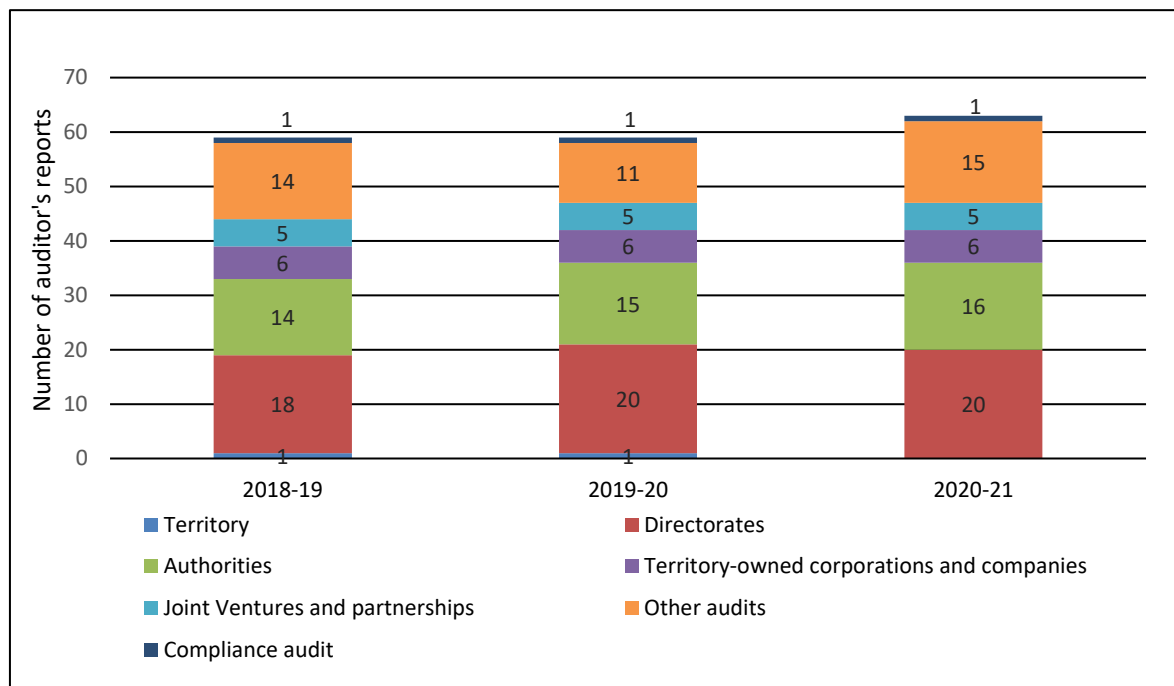
<sup>4</sup> The quality of nine of the 62 reporting entities' financial statements has not been assessed by the Audit Office. These relate mainly to acquittal audits for which agencies complete a form to acquit the spending of funding received from the Commonwealth Government.

<sup>5</sup> 32 of the 62 reporting entities are required to comply with the whole-of-government reporting timetable.



## Auditor's reports

Figure 2-1 Number of auditor's reports



2.6 The Audit Office completed 63 audits in 2020-21 comprising 62 financial statements audits and one compliance audit. These included the financial statement audits of 20 directorates, 16 authorities, 6 territory-owned corporations and companies, 5 joint ventures and partnerships and 15 other audits. One compliance audit related to the Public Trustee and Guardian's compliance with the *Public Ancillary Fund Guidelines 2011* for the Capital Region Community Foundation Gift Fund was also completed during the year. A listing of the audits is included in Table 1-1 in Chapter 1.

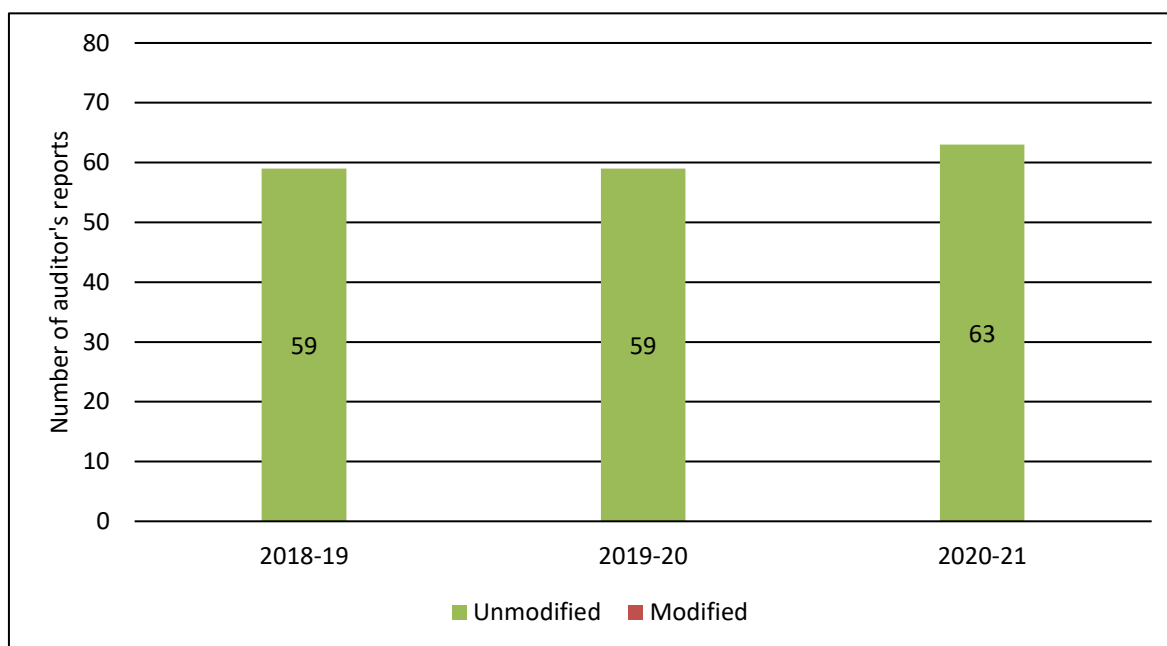
2.7 There was an increase in the number of auditor's reports issued in 2020-21 (63) compared to 2019-20 (59). Six additional auditor's reports were required for the financial statements of the:

- ACT Teacher Quality Institute;
- ACT Veterinary Surgeon's Board (which is audited tri-annually and was last audited in 2017-18);
- Canberra Business Development Fund;
- Commonwealth funding under the *Local Roads and Community Infrastructure Program Guidelines*;
- Disaster recovery funding under the Commonwealth Government's *Disaster Recovery Funding Arrangements 2018*; and
- Office of the Work Health and Safety Commissioner which was established on 1 July 2020.

These were partially offset by the audits of the:

- ACT Compulsory Third-party Insurance Regulator which was not required this year as it ceased operations on 31 January 2020; and
- Territory's Consolidated Annual Financial Statements which is currently in progress and is to be completed by 30 November 2021 as previously mentioned.

**Figure 2-2 Types of auditor's reports**



2.8 No modified auditor's reports were issued in 2020-21.

2.9 All agency financial statements audited by the Audit Office in 2020-21, in all material respects, provided a true and fair view of the reporting agency's financial performance and financial position and materially complied with the relevant financial reporting requirements.

2.10 The Audit Office also issued an unmodified compliance auditor's report on the Public Trustee and Guardian's compliance with the *Public Ancillary Fund Guidelines 2011* for the Capital Region Community Foundation Gift Fund.

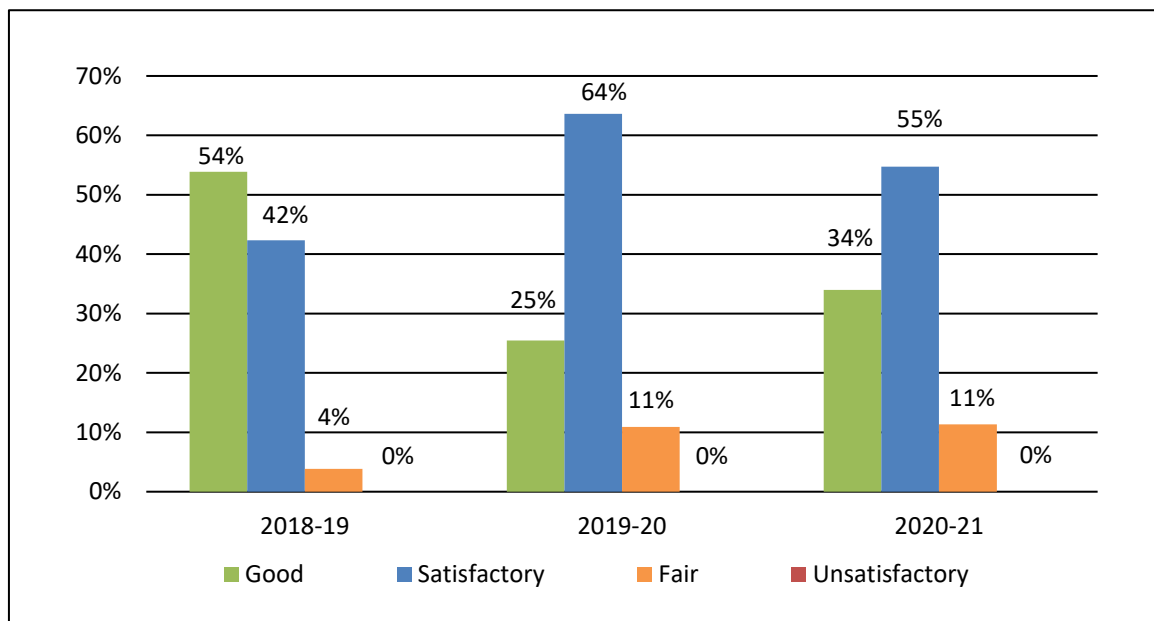
## Quality of financial statements

2.11 An unmodified auditor's report may be issued on a reporting agency's financial statements expressing a true and fair view of the financial results, however, as the financial statements are often corrected during the audit process an unmodified auditor's report does not mean the:

- quality of the financial statements submitted for audit were satisfactory; or
- financial reporting processes used by the agency to prepare the financial statements were adequate.

- 2.12 The quality of the financial statements submitted for audit are assessed by the Audit Office to provide information on the effectiveness of the financial reporting processes implemented by reporting agencies to prepare their financial statements.
- 2.13 The Audit Office used the rating criteria in *Appendix A: Key Terms and Rating Criteria* to perform this assessment.

**Figure 2-3 Quality of financial statements**



- 2.14 The overall quality of the financial statements submitted to the Audit Office by reporting agencies remained high in 2020-21 with 89 percent (47 of 53<sup>6</sup>) of the financial statements submitted for audit rated as either good or satisfactory compared to a similar proportion, 89 percent (49 of 55) in 2019-20.
- 2.15 Eighteen financial statements (34 percent) submitted to the Audit Office by reporting agencies were rated as good in 2020-21 as these contained no errors in the reported results and only required minor editorial changes to disclosures. This is an improvement from 2019-20 when 14 reporting agencies (25 percent) financial statements submitted for audit were rated as good.
- 2.16 In 2020-21, 29 financial statements (55 percent) were rated as satisfactory as they contained a few errors in the reported results that needed correcting along with some improvements to the notes and disclosures.
- 2.17 Six financial statements (11 percent) of reporting agencies were rated as fair in 2020-21 which is similar to 2019-20. These financial statements were of a borderline quality as they contained multiple errors in reported results and needed improvements to

<sup>6</sup> The quality of nine of the 62 reporting entities' financial statements has not been assessed by the Audit Office. These relate mainly to acquittal audits for which agencies complete a form to acquit the spending of funding received from the Commonwealth Government.

accounting policies, disclosures or the presentation of information in their financial statements to bring them up to an acceptable standard before the auditor's report was issued.

- 2.18 No financial statements were rated as unsatisfactory. Financial statements are rated as unsatisfactory where there are numerous errors in reported amounts, the financial statements are incomplete and where significant changes are required to disclosures and the presentation of information. Where financial statements are rated as unsatisfactory the Audit Office will make recommendations to these reporting agencies to improve their financial reporting processes in their audit management report which is provided to the agency head or governing board and the responsible Minister.

### Timeliness of financial statements

- 2.19 Every year ACT Government directorates, authorities and territory-owned corporations which prepare financial statements for the reporting period ending 30 June under the *Financial Management Act 1996* need to comply with a whole-of-government reporting timetable that is issued by the Chief Minister, Treasury and Economic Development Directorate. This reporting timetable includes the dates by which these agencies are required to submit their financial statements to the Audit Office.
- 2.20 Compliance with the timetable is required so the financial statements of the Territory can be prepared and audited within the timeframe set out by the *Financial Management Act 1996*.
- 2.21 The timetable also allows agencies to compile and complete their annual reports, which includes their audited financial statements and auditor's report, in accordance with the publication and tabling requirements of the Annual Report Directions under the *Annual Reports (Government Agencies) Act 2004*.
- 2.22 Compliance with the whole-of-government reporting timetable for reporting agencies to provide their financial statements to the Audit Office declined slightly from 97 percent (32 of 33) in 2019-20 to 94 percent (30 of 32<sup>7</sup>) in 2020-21. Of the two reporting agencies that did not comply with the whole-of-government reporting timetable:
- one provided its financial statements to the Audit Office one day after the due date; and
  - the other provided their financial statements 10 days after the due date.

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<sup>7</sup> 32 of the 62 reporting entities' are required to comply with the whole-of-government reporting timetable.

## 3 RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

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### Introduction

- 3.1 The majority of ACT Government directorates and authorities are required by the *Financial Management Act 1996* to prepare a statement of performance which presents their performance against targets for accountability indicators disclosed in the Budget Papers (for directorates) or Statements of Intent (for authorities).
- 3.2 The Audit Office is required to provide limited assurance reports on the statements of performance under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*.
- 3.3 The independent limited assurance reports issued by the Audit Office on ACT Government agencies' statements of performance include a conclusion on whether any matters have come to the attention of the Audit Office that would indicate that the results of the accountability indicators included in the statement of performance do not accurately reflect the performance of the reporting agency.
- 3.4 A limited assurance report provides a lower level of assurance than an auditor's report does as the work performed is less than what is required for an audit. A limited assurance engagement only involves making inquiries with representatives of the reporting agency, examining available documentation and performing analytical and other review procedures as determined necessary by the Audit Office.
- 3.5 A limited assurance report does not provide a conclusion on the relevance or usefulness of the reporting agencies accountability indicators included in its statement of performance. The accountability indicators are set by the reporting agency annually along with the targets they will report against as part of the budget process. Any concerns identified about the reporting agency's accountability indicators are reported by the Audit Office in the audit management report to the head of the agency or governing board as well as the relevant Minister.

### Overall finding

No modified limited assurance reports were issued in 2020-21. No matters were identified from the limited assurance engagements performed on reporting agencies' statements of performance to indicate that reported results were materially incorrect or unable to be independently verified. However, the limited assurance reports of two agencies contained emphasis of matter paragraphs as the Audit Office identified instances of non-compliance with the requirements of the *Financial Management Act 1996*.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office remained high with 94 percent of statements of performance prepared by reporting agencies (28 of 30) rated as good or satisfactory.

All except three reporting agencies provided their statements of performance to the Audit Office in accordance with the whole-of-government reporting timetable. The agencies that were late provided their statements of performance within two days after the due date.

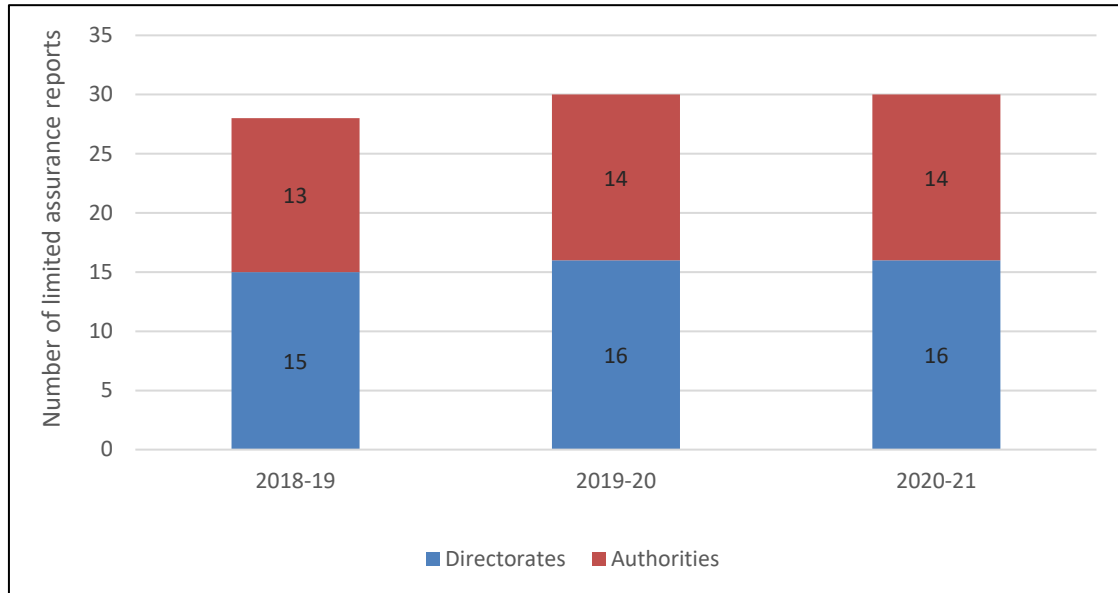
## Key findings

	Paragraph
No modified limited assurance reports were issued in 2020-21. No matters were identified which would indicate the reported results of the accountability indicators included in reporting agencies' statements of performance were not materially correct or could not be independently verified following the limited assurance engagements.	3.8
However, the limited assurance reports issued on the statements of performance of two agencies contained emphasis of matter paragraphs as the Audit Office identified instances of non-compliance with the requirements of the <i>Financial Management Act 1996</i> as follows: <ul style="list-style-type: none"> <li>the Transport Canberra and City Services Directorate did not measure the result of one accountability indicator and advised this was due to the COVID-19 pandemic circumstances; and</li> <li>the Environment, Planning and Sustainable Development Directorate did not establish any accountability indicators for one of its output classes and advised that this was due to the completion of the delivery of a program which occurred in 2019-20.</li> </ul>	3.9
There was no change in the overall quality of the statements of performance submitted by reporting agencies to the Audit Office in 2020-21 from prior year and the quality remained high with 94 percent (28 of 30) rated either good or satisfactory.	3.12
Compliance with the whole-of-government reporting timetable for providing reporting agencies' statements of performance to the Audit Office significantly improved in 2020-21 as 90 percent (26 of 29 <sup>8</sup> ) of the agencies complied with the reporting timetable compared to 79 percent (23 of 29) in 2019-20.	3.19

<sup>8</sup> One of the reporting agencies' statement of performance was prepared for the 31 December 2020 reporting period and therefore is not required to comply with the whole-of-government reporting timetable.

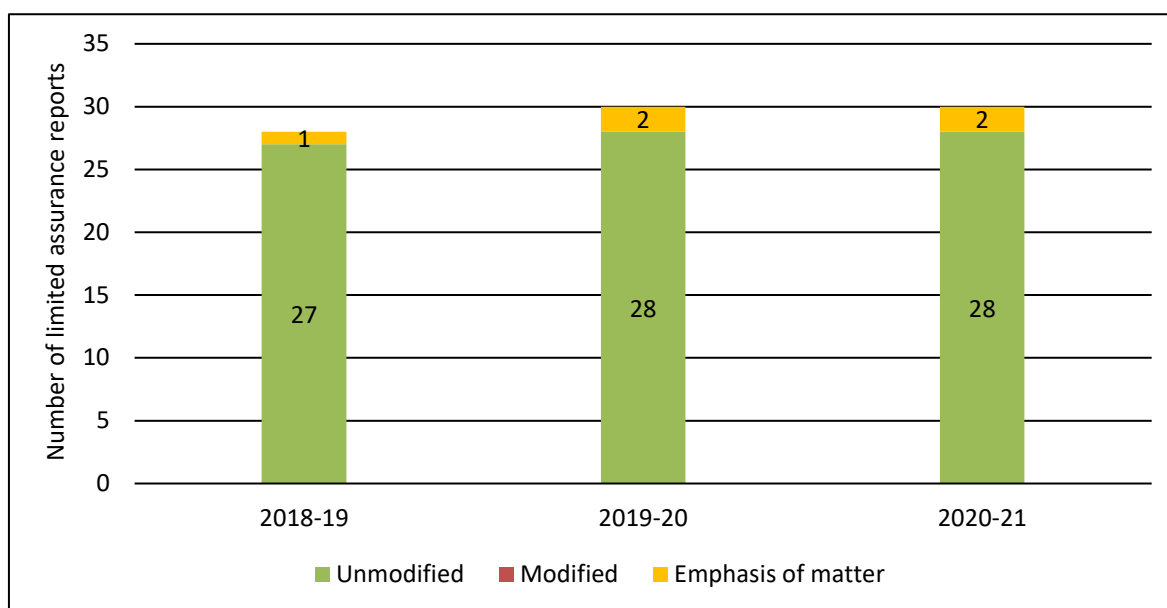
## Limited assurance reports

Figure 3-1 Number of limited assurance reports



- 3.6 The Audit Office provided limited assurance reports on the statements of performance of 30 reporting agencies during 2020-21 including for 16 directorates and 14 authorities as shown in Figure 3-1 above. The list of these agencies is included in Table 1-1 in Chapter 1.
- 3.7 The number of limited assurance reports issued in 2020-21 (30) was consistent with the number of reports issued in 2019-20 (30). This was due to a limited assurance report being required for the statement of performance of the Office of the Work Health and Safety Commissioner which was established on the 1 July 2020 being offset by the ACT Compulsory Third-Party Insurance Regulator which did not require a limited assurance report in 2020-21 as it ceased operations on 31 January 2020.

Figure 3-2 Types of limited assurance reports



3.8 No modified limited assurance reports were issued in 2020-21. No matters were identified which would indicate the reported results of the accountability indicators included in reporting agencies' statements of performance were not materially correct or could not be independently verified following the limited assurance engagements.

3.9 However, the limited assurance reports issued on the statements of performance of two agencies contained emphasis of matter paragraphs as the Audit Office identified instances of non-compliance with the requirements of the *Financial Management Act 1996* as follows:

- the Transport Canberra and City Services Directorate did not measure the result of one accountability indicator and advised this was due to the COVID-19 pandemic circumstances; and
- the Environment, Planning and Sustainable Development Directorate did not establish any accountability indicators for one of its output classes and advised that this was due to the completion of the delivery of a program which occurred in 2019-20.

## Quality of statements of performance

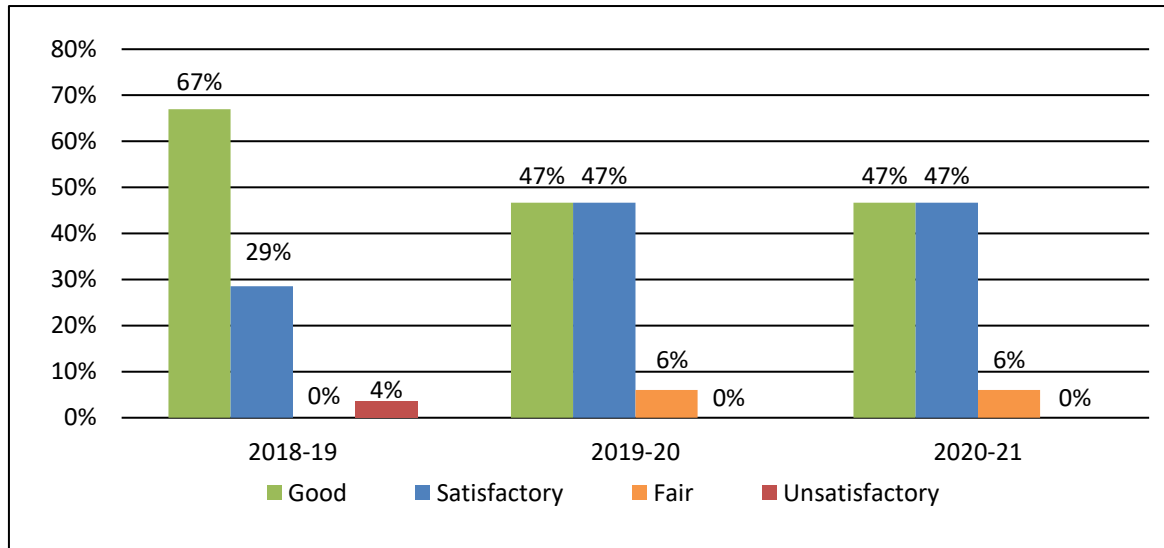
3.10 An unmodified limited assurance report may be issued at the end of the limited assurance engagement providing a positive conclusion on the accuracy of the reported results of the accountability indicators in the statement of performance. However, as changes are often made to the statements of performance before the limited assurance report is issued an unmodified limited assurance report does not mean the:

- quality of the statement of performance submitted to the Audit Office was satisfactory; or
- reporting agencies' processes used to prepare the statement of performance are adequate.



3.11 The quality of the statements of performance submitted by reporting agencies are assessed by the Audit Office using the rating criteria in *Appendix A: Key Terms and Rating Criteria* to provide an overall indication of the effectiveness of the processes employed by reporting agencies in preparing their statements of performance.

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



3.12 There was no change in the overall quality of the statements of performance submitted by reporting agencies to the Audit Office in 2020-21 from prior year and the quality remained high with 94 percent (28 of 30) rated either good or satisfactory.

3.13 The Audit Office rated 14 statements of performance (47 percent) submitted by reporting agencies as good in 2020-21 as there were no errors identified in the reported results of the accountability indicators and minimal, mostly editorial changes were required to disclosures.

3.14 The statements of performance of 14 reporting agencies (47 percent) were rated as satisfactory as the reported results of the accountability indicators contained a few errors and needed minor improvements to disclosures, including variance explanations or explanatory information about the accountability indicators.

3.15 Two statements of performance (6 percent) were rated as fair as they required several corrections to the reported results and improvements to the disclosures in order to bring them up to an acceptable standard before the limited assurance report was issued.

3.16 No statements of performance were rated as unsatisfactory in 2020-21. The Audit Office will rate statements of performance as unsatisfactory where there are a number of errors in the reported results and significant changes are required to disclosures and explanatory information. Where the statement of performance is rated as unsatisfactory recommendations are provided in the reporting agencies' audit management report to improve the reporting processes used. The audit management report is also provided to the agency head or governing board and the relevant Minister.

## Timeliness of statements of performance

- 3.17 The whole-of-government reporting timetable mentioned in Chapter 2 includes dates by when relevant ACT Government directorates and authorities that have a 30 June reporting period are required to submit their statements of performance to the Audit Office.
- 3.18 Compliance with the timetable is required so agencies have time to prepare and complete their annual reports, which includes their statement of performance and the limited assurance report on the statement of performance so they can publish and table the annual report in accordance with the Annual Report Directions under the *Annual Reports (Government Agencies) Act 2004*.
- 3.19 Compliance with the whole-of-government reporting timetable for providing reporting agencies' statements of performance to the Audit Office significantly improved in 2020-21 as 90 percent (26 of 29<sup>9</sup>) of the agencies complied with the reporting timetable compared to 79 percent (23 of 29) in 2019-20.
- 3.20 The three reporting agencies that did not comply with the whole-of-government reporting timetable in 2020-21 submitted their statements of performance to the Audit Office within two days after the due date.

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<sup>9</sup> One of the reporting agencies' statement of performance was prepared for the 31 December 2020 reporting period and therefore is not required to comply with the whole-of-government reporting timetable.

## APPENDIX A: KEY TERMS AND RATING CRITERIA

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

### Financial statements

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

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

Reporting agencies are required to prepare financial statements in accordance with Australian Accounting Standards set by the Australian Accounting Standards Board. These standards outline the reporting and disclosure requirements for financial statements.

An auditor's report is issued on a reporting agency's financial statements after the completion of an audit 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, in all material respects, a true and fair presentation 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.

### Statement 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.

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

### Not fairly presented

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

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

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

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

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



## Audit Reports

<b>Reports Published in 2021-22</b>	
Report No.09 – 2021	Annual Report 2020-21
Report No.08 – 2021	Canberra Light Rail Stage 2A: Economic Analysis
<b>Reports Published in 2020-21</b>	
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 Contact 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
Report No.07 – 2020	Management of Care for People Living with Serious and Continuing Illness
<b>Reports Published in 2019-20</b>	
Report No.06 – 2020	Transfer of Workers’ Compensation Arrangements from Comcare
Report No.05 – 2020	Management of Household Waste Services
Report No.04 – 2020	Residential Land Supply and Release
Report No.03 – 2020	Data Security
Report No.02 – 2020	2018-19 Financial Audits Computer Information Systems
Report No.01 – 2020	Shared Services Delivery of HR and Finance Services
Report No.11 – 2019	Maintenance of ACT Government School Infrastructure
Report No.10 – 2019	2018-19 Financial Audits – Financial Results and Audit Findings
Report No.09 – 2019	2018-19 Financial Audits - Overview
Report No.08 – 2019	Annual Report 2018-19
<b>Reports Published in 2018-19</b>	
Report No.07 – 2019	Referral processes for the support of vulnerable Children
Report No.06 – 2019	ICT Strategic Planning
Report No.05 – 2019	Management of the System-Wide Data Review implementation program
Report No.04 – 2019	2017-18 Financial Audits Computer Information Systems
Report No.03 – 2019	Access Canberra Business Planning and Monitoring
Report No.02 – 2019	Recognition and implementation of obligations under the <i>Human Rights Act 2004</i>
Report No.01 – 2019	Total Facilities Management Procurement
Report No.12 – 2018	2017-18 Financial Audits – Financial Results and Audit Findings
Report No.11 – 2018	2017-18 Financial Audits - Overview
Report No.10 – 2018	Annual Report 2017-18
Report No.09 – 2018	ACT Health’s management of allegations of misconduct and complaints about inappropriate workplace behaviour

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