

ACT AUDITOR-GENERAL'S REPORT

2017-18 FINANCIAL AUDITS

OVERVIEW

Report No. 11/2018

November 2018

PA 18/09

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 '2017-18 Financial Audits – Overview' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Ajay Sharma
Acting Auditor-General
21 November 2018

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

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

This report provides an overview of the results of the audits of 56 financial statements, reviews of 26 statements of performance and one compliance audit for the reporting periods ending 31 December 2017 and 30 June 2018. It also provides the Audit Office's assessment of the overall quality and timeliness of reporting by reporting agencies and the accuracy of the financial and performance information included in reporting agencies' annual reports.

This is the first of the three reports on 2017-18 financial audits and will be followed by reports titled 'Financial Results and Audit Findings' and 'Computer Information Systems'.

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

Overall findings

RESULTS OF FINANCIAL STATEMENTS AUDITS

No qualified audit reports were issued in 2017-18. All 56 audited financial statements materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit improved in 2017-18. All reporting agencies' financial statements were rated good or satisfactory.

All agencies provided their financial statements to the Audit Office in accordance with the whole-of-government timetable.

RESULTS OF STATEMENTS OF PERFORMANCE REVIEWS

No qualified reports of factual findings were issued in 2017-18. No matters were identified from the Audit Office's reviews of statements of performance which indicated that reported results were materially incorrect or unable to be independently verified.

The quality of statements of performance submitted by reporting agencies to the Audit Office for review remained high with over 85 percent of agencies' statements of performance rated good or satisfactory.

Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high as most agencies complied with the timetable.

ANNUAL REPORTS

Almost all reporting agencies included accurate and complete versions of the audited financial statements and reviewed statement of performance in their annual report. Where inaccuracies were identified, the reporting agencies subsequently corrected their annual report.

Key findings

RESULTS OF FINANCIAL STATEMENTS AUDITS	Paragraph
No qualified audit reports were issued in 2017-18 or in 2016-17.	2.9
All 56 financial statements audited in 2017-18 materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.	2.10
An unqualified compliance audit report was issued on the Public Trustee and Guardian's compliance with the <i>Public Ancillary Fund Guidelines 2011</i> for the Capital Region Community Foundation Gift Fund.	2.11
The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2017-18. All 49 ¹ financial statements submitted for audit were assessed as good or satisfactory in 2017-18 compared to 96 percent in 2016-17 (47 of 49).	2.15
Compliance with the whole-of-government reporting timetable improved in 2017-18 as all 28 ² agencies complied with the reporting timetable compared to 22 of 27 (81 percent) in 2016-17.	2.21

¹ The quality of seven of the 56 reporting agencies' financial statements is not assessed as these agencies complete a form to acquit the spending of funding received from the Commonwealth Government.

² 28 of 56 reporting agencies are required to comply with the whole-of-government reporting timetable.

RESULTS OF STATEMENTS OF PERFORMANCE REVIEWS

Paragraph

No qualified reports of factual findings were issued in 2017-18 or in 2016-17. No matters were identified from the Audit Office's reviews of statements of performance which indicated that reported results were materially incorrect or unable to be independently verified. 3.8

However, the report of factual findings issued on the statement of performance of the Community Services Directorate included a negative finding because the Directorate did not measure a result for one accountability indicator as required by the *Financial Management Act 1996*. The Directorate did not have a system in place to measure the result for the indicator. 3.9

The overall quality of statements of performance submitted by reporting agencies to the Audit Office for review improved in 2017-18. The percentage of statements of performance rated by the Audit Office as good or satisfactory was 89 percent (23 of 26) in 2017-18 compared to 84 percent (21 of 25) in 2016-17. Since 2015-16, the percentage of statements of performance rated as good has improved from 35 percent (9 of 26) to 62 percent (16 of 26) in 2017-18. 3.13

The proportion of the reporting agencies that complied with the whole-of-government reporting timetable for statements of performance remained high as 22 of 25³ (88 percent) agencies complied with the reporting timetable in 2017-18 compared to 23 of 24 (96 percent) in 2016-17. 3.19

ANNUAL REPORTS

All except one reporting agency complied with the requirement of the Annual Report Directions issued under the *Annual Reports (Government Agencies) Act 2004* to place a copy of their annual report on the relevant website on the same day it was tabled in the ACT Legislative Assembly. 4.6

Almost all reporting agencies included accurate and complete versions of their audited financial statements with the audit report, and statement of performance with the report of factual findings, in their annual reports. 4.8

³ One of 26 reporting agencies is not required to comply with the whole-of-government reporting timetable as it prepared its statement of performance at 31 December 2017.

1 AUDIT REPORTS AND REPORTS OF FACTUAL FINDINGS

- 1.1 The Audit Office issued 56 audit reports on financial statements, 26 reports of factual findings on statements of performance and 1 compliance audit report in 2017-18. Table 1-1 lists these reports.
- 1.2 The types of opinions issued on financial statements and statements of performance are explained in *Appendix A: Key Terms and Rating Criteria*.

Table 1-1 Audit reports and reports of factual findings

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

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

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

2 RESULTS OF FINANCIAL STATEMENTS AUDITS

Introduction

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

Overall finding

No qualified audit reports were issued in 2017-18. All 56 audited financial statements materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit improved in 2017-18. All reporting agencies' financial statements were rated good or satisfactory.

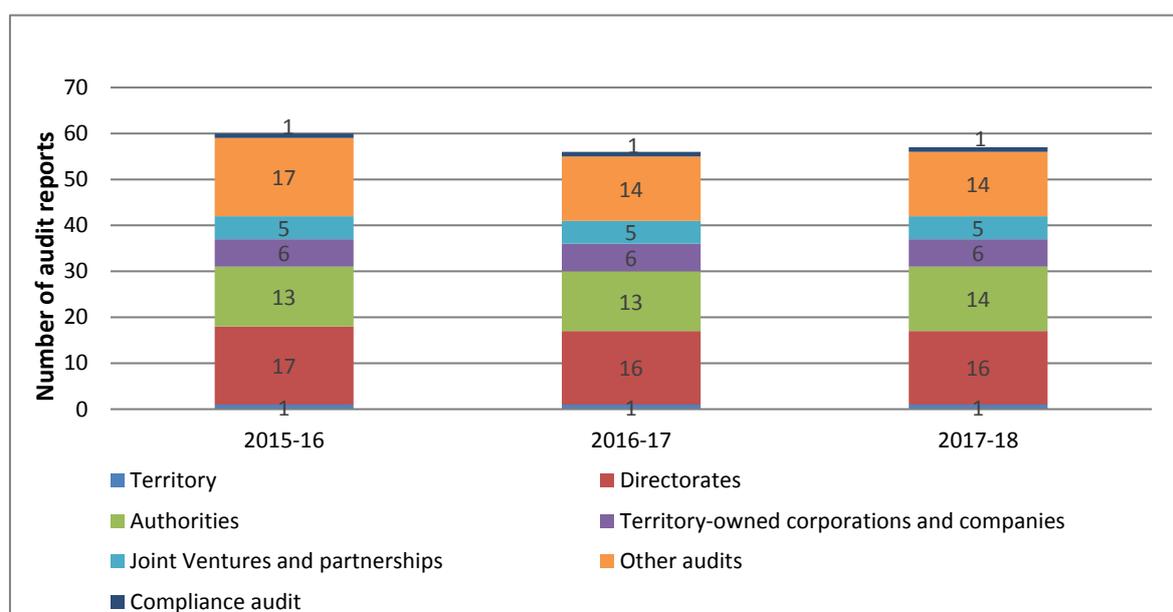
All agencies provided their financial statements to the Audit Office in accordance with the whole-of-government timetable.

Key findings

	Paragraph
No qualified audit reports were issued in 2017-18 or in 2016-17.	2.9
All 56 financial statements audited in 2017-18 materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.	2.10
An unqualified compliance audit report was issued on the Public Trustee and Guardian's compliance with the <i>Public Ancillary Fund Guidelines 2011</i> for the Capital Region Community Foundation Gift Fund.	2.11
The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2017-18. All 49 ⁴ financial statements submitted for audit were assessed as good or satisfactory in 2017-18 compared to 96 percent in 2016-17 (47 of 49).	2.15
Compliance with the whole-of-government reporting timetable improved in 2017-18 as all 28 ⁵ agencies complied with the reporting timetable compared to 22 of 27 (81 percent) in 2016-17.	2.21

Audit reports

Figure 2-1 Number of audit reports



⁴ The quality of seven of the 56 reporting agencies' financial statements is not assessed as these agencies complete a form to acquit the spending of funding received from the Commonwealth Government.

⁵ 28 of 56 reporting agencies are required to comply with the whole-of-government reporting timetable.

2.6 The Audit Office completed audits of 56 financial statements in 2017-18 with reporting periods ending 31 December 2017 and 30 June 2018.

This consisted of the audits of 16 directorates, 14 authorities, 6 Territory-owned corporations and companies, 5 joint ventures and partnerships, 14 other audits, and the Territory's consolidated annual financial statements. These are listed in Table 1-1 in Chapter 1.

2.7 One compliance audit relating to the Public Trustee and Guardian's compliance with the *Public Ancillary Fund Guidelines 2011* for the Capital Region Community Foundation Gift Fund was also completed.

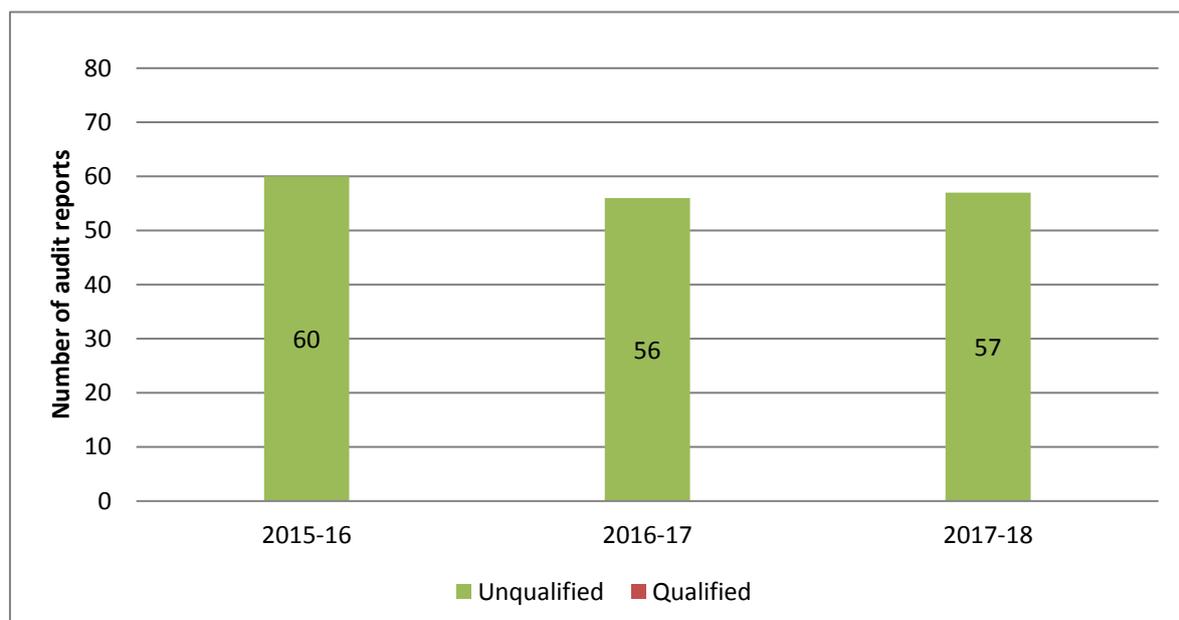
2.8 Slightly more audit reports were issued by the Audit Office in 2017-18 (57) than in 2016-17 (56) because audits were required for the financial statements of the:

- City Renewal Authority and Suburban Land Agency which were established effective 1 July 2017; and
- ACT Veterinary Surgeons Board which is performed triennially. The previous audit of the Board was performed in 2014-15.

This was partially offset by the audits of the financial statements of the:

- Land Development Agency no longer being required as it was abolished and its functions transferred to the Suburban Land Agency and City Renewal Authority; and
- Canberra Business Development Fund being delayed until the Fund provides all information required to support material balances in the financial statements.

Figure 2-2 Number of unqualified and qualified audit reports



2.9 No qualified audit reports were issued in 2017-18 or in 2016-17.

2.10 All 56 financial statements audited in 2017-18 materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

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

Quality of financial statements

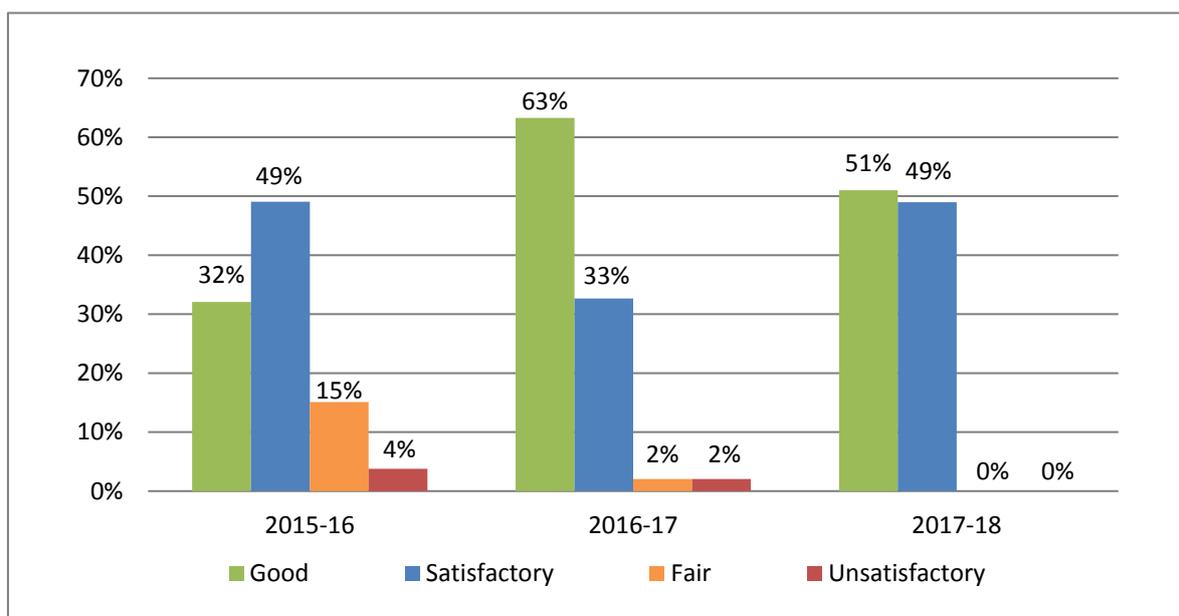
2.12 An unqualified audit report may be issued at the end of the audit providing a positive opinion about the reporting agency’s financial statements. However, as the financial statements are often corrected during the audit, an unqualified audit report does not mean the:

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

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

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

Figure 2-3 Quality of financial statements



- 2.15 The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high in 2017-18. All 49⁶ financial statements submitted for audit were assessed as good or satisfactory in 2017-18 compared to 96 percent in 2016-17 (47 of 49).
- 2.16 The 25 reporting agencies (51 percent) that were rated as good in 2017-18 required no changes to reported results and minimal other changes to the financial statements. The other 24 reporting agencies (49 percent) rated as satisfactory in 2017-18 consisted of 18 agencies making a few changes to reported results and disclosures, and 6 requiring a few changes to improve disclosures only.
- 2.17 The Audit Office will typically rate financial statements submitted for audit as fair if they were of a borderline quality, requiring several changes to reported amounts or disclosures. However, if the financial statements were not well prepared and contain many errors in reported amounts and disclosures then the quality of the financial statements will be rated as unsatisfactory.
- 2.18 Where the financial statements of a reporting agency are rated as unsatisfactory, the Audit Office will make recommendations to improve reporting in the relevant agency's audit management report that is provided to the agency head or governing board and the responsible Minister.

Timeliness of financial statements

- 2.19 A whole-of-government reporting timetable is issued each year by the Chief Minister, Treasury and Economic Development Directorate for reporting agencies that prepare financial statements under the *Financial Management Act 1996* with a reporting period ending 30 June. The 2017-18 reporting timetable included the dates by which these reporting agencies were required to submit their financial statements to the Audit Office.
- 2.20 Reporting agencies are required to comply with this timetable to allow the:
- financial statements of the Territory to be prepared and audited within the timeframe required by the *Financial Management Act 1996*; and
 - annual reports, containing the audited financial statements and audit reports, to be completed in accordance with the timeframes contained in the Annual Report Directions issued by the Chief Minister, Treasury and Economic Development Directorate under the *Annual Reports (Government Agencies) Act 2004*.
- 2.21 Compliance with the whole-of-government reporting timetable improved in 2017-18 as all 28⁷ agencies complied with the reporting timetable compared to 22 of 27 (81 percent) in 2016-17.

⁶ The quality of seven of the 56 reporting agencies' financial statements is not assessed as these agencies complete a form to acquit the spending of funding received from the Commonwealth Government.

⁷ 28 of 56 reporting agencies are required to comply with the whole-of-government reporting timetable.

3 RESULTS OF STATEMENTS OF PERFORMANCE REVIEWS

Introduction

- 3.1 Statements of performance are prepared by ACT Government directorates and authorities and reviewed by the Audit Office as required by the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines*.
- 3.2 Statements of performance are required to present the reporting agency's performance against the targets for accountability indicators disclosed in the Budget Papers (directorates) or Statements of Intent (authorities).
- 3.3 The Audit Office provides an independent opinion in a report of factual findings on whether any matters have come to the attention of the Audit Office that indicate the results of the accountability indicators are not fairly presented.
- 3.4 The review of accountability indicators is limited to making inquiries with representatives of the reporting agency, performing analytical and other review procedures, and examining other available documentation. The review provides a lower level of assurance than an audit of financial statements.
- 3.5 The Audit Office does not provide an opinion on the relevance or usefulness of the accountability indicators as part of the review. The accountability indicators and their related targets are set by reporting agencies during the annual budget process. However, any concerns about the relevance or usefulness of the accountability indicators identified during the review are reported in an audit management report to the agency head or governing board and the responsible Minister.

Overall finding

No qualified reports of factual findings were issued in 2017-18. No matters were identified from the Audit Office's reviews of statements of performance which indicated that reported results were materially incorrect or unable to be independently verified.

The quality of statements of performance submitted by reporting agencies to the Audit Office for review remained high. Over 85 percent of agencies' statements of performance were rated good or satisfactory.

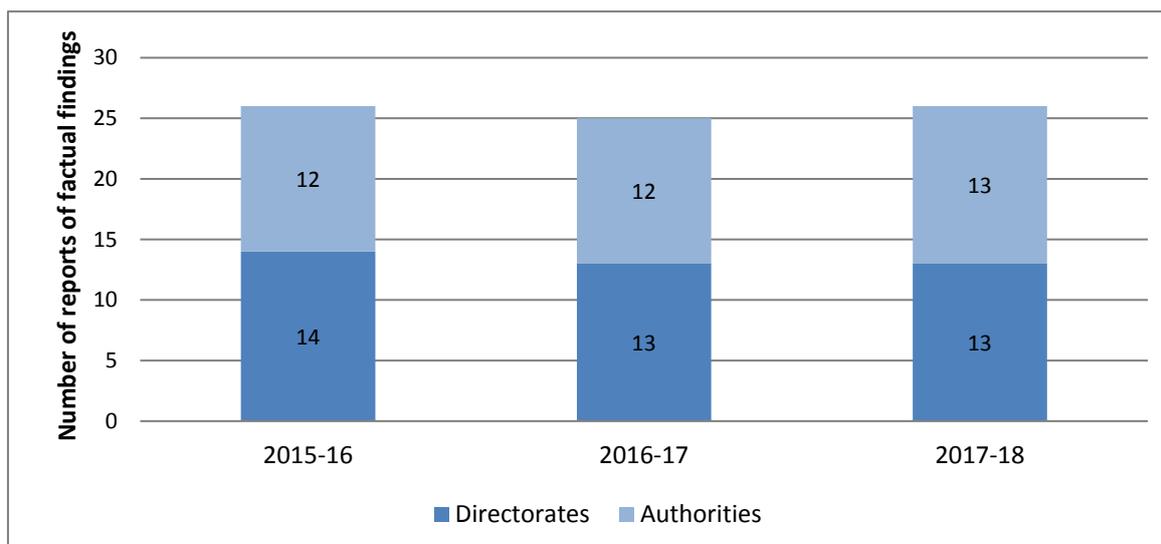
Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high as most agencies complied with the timetable.

Key findings

	Paragraph
No qualified reports of factual findings were issued in 2017-18 or in 2016-17. No matters were identified from the Audit Office's reviews of statements of performance which indicated that reported results were materially incorrect or unable to be independently verified.	3.8
However, the report of factual findings issued on the statement of performance of the Community Services Directorate included a negative finding because the Directorate did not measure a result for one accountability indicator as required by the <i>Financial Management Act 1996</i> . The Directorate did not have a system in place to measure the result for the indicator.	3.9
The overall quality of statements of performance submitted by reporting agencies to the Audit Office for review improved in 2017-18. The percentage of statements of performance rated by the Audit Office as good or satisfactory was 89 percent (23 of 26) in 2017-18 compared to 84 percent (21 of 25) in 2016-17. Since 2015-16, the percentage of statements of performance rated as good has improved from 35 percent (9 of 26) to 62 percent (16 of 26) in 2017-18.	3.13
The proportion of the reporting agencies that complied with the whole-of-government reporting timetable for statements of performance remained high as 22 of 25 ⁸ (88 percent) agencies complied with the reporting timetable in 2017-18 compared to 23 of 24 (96 percent) in 2016-17.	3.19

Reports of factual findings

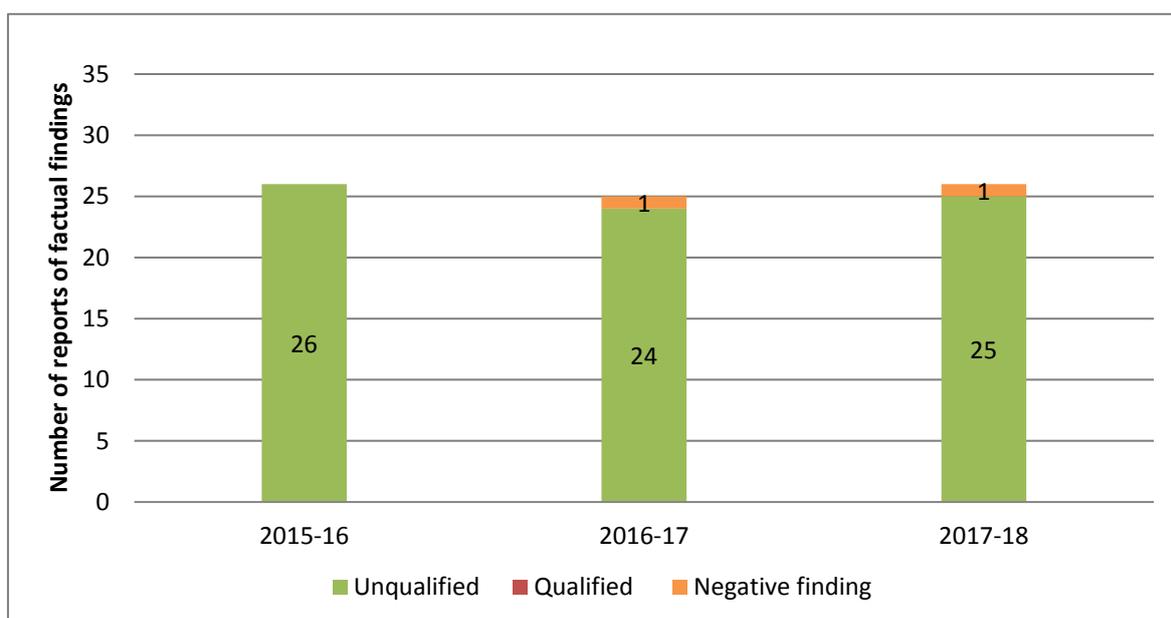
Figure 3-1 Number of reports of factual findings



⁸ One of 26 reporting agencies is not required to comply with the whole-of-government reporting timetable as it prepared its statement of performance at 31 December 2017.

- 3.6 In 2017-18, the Audit Office reviewed 26 statements of performance which consisted of 13 directorates and 13 authorities, as shown in Figure 3-1. These agencies are listed in Table 1-1 in Chapter 1.
- 3.7 The number of reports of factual findings issued in 2017-18 (26) slightly exceeded the number issued in 2016-17 (25). This was due to reports of factual findings being required for the statements of performance of the City Renewal Authority and Suburban Land Agency which were established effective 1 July 2017 after the Land Development Agency was abolished and its functions were transferred to these agencies.

Figure 3-2 Number of unqualified and qualified reports of factual findings



- 3.8 No qualified reports of factual findings were issued in 2017-18 or in 2016-17. No matters were identified from the Audit Office's reviews of statements of performance which indicated that reported results were materially incorrect or unable to be independently verified.
- 3.9 However, the report of factual findings issued on the statement of performance of the Community Services Directorate included a negative finding because the Directorate did not measure a result for one accountability indicator as required by the *Financial Management Act 1996*. The Directorate did not have a system in place to measure a result for this accountability indicator.

Quality of statements of performance

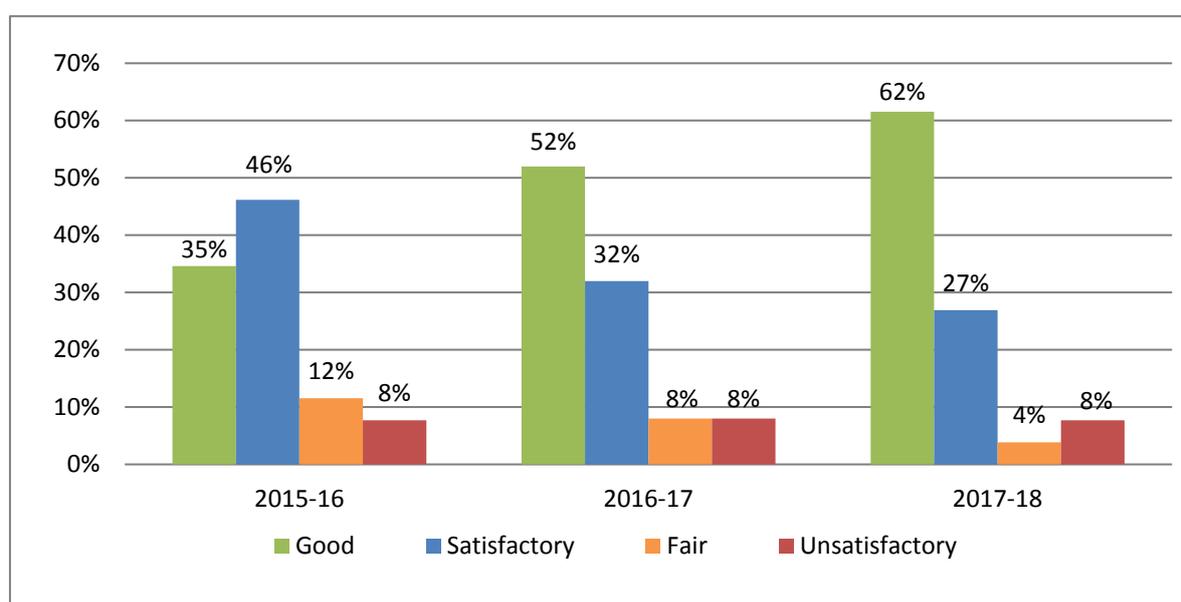
- 3.10 An unqualified report of factual findings may be issued at the completion of the review of an agency's statement of performance providing a positive opinion on the accuracy of the reported results for accountability indicators.

3.11 However, as statements of performance are often corrected before the report of factual findings is issued, an unqualified report of factual findings does not mean the:

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

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

Figure 3-3 Quality of statements of performance



3.13 The overall quality of statements of performance submitted by reporting agencies to the Audit Office for review improved in 2017-18. The percentage of statements of performance rated by the Audit Office as good or satisfactory was 89 percent (23 of 26) in 2017-18 compared to 84 percent (21 of 25) in 2016-17. Since 2015-16, the percentage of statements of performance rated as good has improved from 35 percent (9 of 26) to 62 percent (16 of 26) in 2017-18.

3.14 The statements of performance of 16 reporting agencies (62 percent) were rated as good in 2017-18 as there were no corrections to the reported results of accountability indicators and minimal changes to explanatory information. The 7 reporting agencies (27 percent) rated as satisfactory consisted of 4 agencies requiring a few corrections to the reported results of accountability indicators and explanatory information, and 3 agencies requiring a few corrections to explanatory information only.

3.15 Although more reporting agencies' statements of performance have been rated as good since 2015-16, the percentage rated as fair or unsatisfactory has only marginally decreased from 20 percent (5 of 26) in 2015-16 to 12 percent (3 of 26) in 2017-18.

- 3.16 The Audit Office rated the statement of performance of one reporting agency (4 percent) as fair as it was of a borderline quality requiring several corrections to the reported results of accountability indicators and improvements to explanations of variances between reported results and targets. The statements of performance of two reporting agencies (8 percent) were rated as unsatisfactory as they were not well prepared and required many corrections to the reported results of accountability indicators and explanatory information.
- 3.17 Where reporting agencies' statements of performance were rated as unsatisfactory, the Audit Office has made recommendations to improve reporting processes in the agency's audit management report that is provided to the agency head or governing board and the responsible Minister.

Timeliness of statements of performance

- 3.18 The whole-of-government reporting timetable issued by the Chief Minister, Treasury and Economic Development Directorate each year also includes the date by which relevant reporting agencies are required to submit their statement of performance to the Audit Office for review.
- 3.19 The proportion of the reporting agencies that complied with the whole-of-government reporting timetable for statements of performance remained high as 22 of 25⁹ (88 percent) agencies complied with the reporting timetable in 2017-18 compared to 23 of 24 (96 percent) in 2016-17.
- 3.20 The three reporting agencies that did not comply with the whole-of-government reporting timetable in 2017-18 submitted their statement of performance to the Audit Office shortly (one working day) after the due date.

⁹ One of 26 reporting agencies is not required to comply with the whole-of-government reporting timetable as it prepared its statement of performance at 31 December 2017.

4 ANNUAL REPORTS

Introduction

- 4.1 Reporting agencies prepare their annual reports in accordance with the Annual Reports Directions issued by the Chief Minister, Treasury and Economic Development Directorate under the *Annual Reports (Government Agencies) Act 2004*.
- 4.2 The Annual Reports Directions require agencies to publish their annual reports for the community on the relevant website on the same day their annual report is tabled in the ACT Legislative Assembly.
- 4.3 The annual reports of reporting agencies include the audited financial statements and audit report, and reviewed statement of performance and report of factual findings.

Overall finding

Almost all reporting agencies included accurate and complete versions of the audited financial statements and reviewed statement of performance in their annual report. Where inaccuracies were identified, the reporting agencies subsequently corrected their annual report.

Key findings

	Paragraph
All except one reporting agency complied with the requirement of the Annual Report Directions issued under the <i>Annual Reports (Government Agencies) Act 2004</i> to place a copy of their annual report on the relevant website on the same day it was tabled in the ACT Legislative Assembly.	4.6
Almost all reporting agencies included accurate and complete versions of their audited financial statements with the audit report, and statement of performance with the report of factual findings, in their annual reports.	4.8

Responsibilities

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

Timeliness of annual reports

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

Financial and performance information in annual reports

- 4.8 Almost all reporting agencies included accurate and complete versions of their audited financial statements with the audit report, and statement of performance with the report of factual findings, in their annual reports.
- 4.9 Complete information was not included in the annual reports of two reporting agencies as:
- one reporting agency did not include the complete report of factual findings on their statement of performance; and
 - one reporting agency omitted one page from their audited financial statements.
- 4.10 These reporting agencies subsequently corrected the printed and website versions of their annual report.

APPENDIX A: KEY TERMS AND RATING CRITERIA

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

Audit reports on financial statements

An audit report with an unqualified 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 audit report with a qualified audit opinion is issued where the Audit Office:

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

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

Statements of performance

Statements of performance show the results of a reporting agency's accountability indicators (performance measures) and related performance targets. This facilitates an assessment of the reporting agency's performance in providing public services by enabling the actual performance to be compared to planned (targeted) levels of performance. Statements of performance also include explanations for material 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 and may provide information on the number, quality and timeliness of services provided.

A report of factual findings is issued on a reporting agency's statement of performance after the Audit Office has completed a review of the reported results.

The review performed of the reported results of accountability indicators is limited to making inquiries with representatives of the reporting agency, performing analytical and other review procedures, and examining other available documentation. The review provides a lower level of assurance than an audit of financial statements.

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

Reports of factual findings on statements of performance

An unqualified report of factual findings 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 report of factual findings may include a 'negative finding' 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 qualified report of factual findings will be issued where a reported result of an accountability indicator is not accurate or cannot be independently verified.

Very few reports of factual findings are qualified as reporting agencies usually agree to amend their statements of performance before the report of factual findings is issued.

Materiality

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

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

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

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 audit report on the financial statements or report of factual findings 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 Director, Financial Audits and other senior members of the financial audit team.

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

Audit reports

Reports Published in 2018-19	
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
Reports Published in 2017-18	
Report No. 08 – 2018	Assembly of rural land west of Canberra
Report No. 07 – 2018	Five ACT public schools' engagement with Aboriginal and Torres Strait Islander students, families and community
Report No. 06 – 2018	Physical Security
Report No. 05 – 2018	ACT clubs' community contributions
Report No. 04 – 2018	2016-17 Financial Audits – Computer Information Systems
Report No. 03 – 2018	Tender for the sale of Block 30 (formerly Block 20) Section 34 Dickson
Report No. 02 – 2018	ACT Government strategic and accountability indicators
Report No. 01 – 2018	Acceptance of Stormwater Assets
Report No. 11 – 2017	2016-17 Financial Audits – Financial Results and Audit Findings
Report No. 10 – 2017	2016-17 Financial Audits – Overview
Report No. 09 – 2017	Annual Report 2016-17
Report No. 08 – 2017	Selected ACT Government agencies' management of Public Art
Reports Published in 2016-17	
Report No. 07 – 2017	Public Housing Renewal Program
Report No. 06 – 2017	Mental Health Services – Transition from Acute Care
Report No. 05 – 2017	Maintenance of Selected Road Infrastructure Assets
Report No. 04 – 2017	Performance information in ACT public schools
Report No. 03 – 2017	2015-16 Financial Audits – Computer Information Systems
Report No. 02 – 2017	2016 ACT Election
Report No. 01 – 2017	WorkSafe ACT's management of its regulatory responsibilities for the demolition of loose-fill asbestos contaminated houses
Report No. 11 – 2016	2015-16 Financial Audits – Financial Results and Audit Findings
Report No. 10 – 2016	2015-16 Financial Audits – Audit Reports
Report No. 09 – 2016	Commissioner for International Engagement – Position Creation and Appointment Process
Report No. 08 – 2016	Annual Report 2015-16
Report No. 07 – 2016	Certain Land Development Agency Acquisitions
Reports Published in 2015-16	
Report No. 06 – 2016	Management and administration of credit cards by ACT Government entities
Report No. 05 – 2016	Initiation of the Light Rail Project
Report No. 04 – 2016	The management of the financial arrangements for the delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme
Report No. 03 – 2016	ACT Policing Arrangement
Report No. 02 – 2016	Maintenance of Public Housing
Report No. 01 – 2016	Calvary Public Hospital Financial and Performance Reporting and Management
Report No. 10 – 2015	2014-15 Financial Audits

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

