ACT AUDITOR–GENERAL'S REPORT

2018-19 FINANCIAL AUDITS FINANCIAL RESULTS AND AUDIT FINDINGS

REPORT NO. 10 / 2019

ISSN 2204-700X (Print)
ISSN 2204-7018 (Online)

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.

Accessibility Statement

The ACT Audit Office is committed to making its information accessible to as many people as possible. If you have difficulty reading a standard printed document, and would like to receive this publication in an alternative format, please telephone the Office on (02) 6207 0833.

If English is not your first language and you require the assistance of a Translating and Interpreting Service, please telephone Canberra Connect on 13 22 81.

If you are deaf or hearing impaired and require assistance, please telephone the National Relay Service on 13 36 77.

Audit Team

Abdullah Mamun
Adam Czarny
Ahmad Tahir
Ajay Sharma
Andrew Thornton
Anindita Kumar
Benjamin Fradd
Berk Canturk
Callum McIntosh
Chris Huang
Claire Cheng
Claire Wu
David O'Toole
Ehmar Nazir
Elaine Zhang
Elanor Hughes
Grace Li
Jatin Singh
Jaynesh Parbhu
Joseph James
Luke Crowe
Melissa Lyngstad
Naveed Nisar
Peter Mazis
Philip Mini
Rosario San Miguel
Saad Ashraf
Saman Mahaarachchi
Samina Khatoon
Shayal Shivani
Stella Pakpahan
Subramanium Arulmugavarathan
Tehmina Mazhar
Tim Larnach

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

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

Publication No. 19/1563

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

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

PA 19/19

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

Dear Madam Speaker

I am pleased to forward to you an audit report titled '2018-19 Financial Audits - 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
13 December 2019

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.

Level 4, 11 Moore Street Canberra City ACT 2601 PO Box 275 Civic Square ACT 2608
T 02 6207 0833 **F** 02 6207 0826 **E** actauditorgeneral@act.gov.au **W** www.audit.act.gov.au

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 2019. It also includes details of the progress made by reporting agencies in resolving audit findings and further work required to streamline and simplify (de-clutter) the model financial statements.

This is the second of the three audit reports on 2018-19 financial audits. The first audit report '2018-19 Financial Audits – Overview' (Report No. 9/2019) was tabled in the ACT Legislative Assembly on 29 November 2019. The third report on 'Computer Information Systems' will be published in 2020.

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 2018-19 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 net operating balance measures the difference between the Territory's expenses and its revenue. The Territory incurred a net operating balance deficit in 2018-19 and this was higher than the deficit anticipated in the budget. As the costs of delivering public services is estimated to continue to exceed revenue, the Territory will continue to incur deficits in forward years until 2021-22.

The operating result is the net operating balance adjusted for other economic impacts. In the Territory, these impacts mainly relate to gains or losses on investments, net gain/(loss) on sale/(disposal) of non-financial assets and gains related to land sales. An operating deficit was made by the Territory in 2018-19 compared to a budgeted surplus. This was largely due to the net operating balance deficit discussed above and less than expected other economic inflows from the losses on the sale/(disposal) of non-financial assets and lower gains related to land sales.

While operating deficits are budgeted for 2019-20 and 2020-21, a surplus is forecast for 2021-22. This surplus depends on continued growth in revenue, constraining expenses and reliance on other economic inflows to offset the estimated deficits in the net operating balance.

The net assets of the Territory were $14 612 million at 30 June 2019. This was below the budgeted amount mainly due to the higher than expected unfunded superannuation liability, which accounts for almost half of the Territory's liabilities.

The Territory had a strong capacity to pay its liabilities that are due within 12 months as its net short-term assets were $750 million at 30 June 2019. The Territory estimates that its short-term assets will remain at adequate levels to meet short-term liabilities in forward years.

AUDIT FINDINGS

Audit findings

The number of audit findings reported to agencies have steadily decreased over the last three financial years. However, as half of previously reported audit findings were not resolved or were only partially resolved in 2018-19, agencies should give attention to promptly addressing these findings.

Model financial statements

The review of the model financial statements in 2018-19 indicates further work is needed by the Directorate to streamline and simplify (de-clutter) the model financial statements.

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.

Entities whose financial results are combined to form the Territory’s financial statements are listed in Appendix B.

1.2 The key financial results from the Territory’s audited 2018-19 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 long-term;
- 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 short-term; and
- estimated financial results over the period 2019-20 to 2022-23.

Conclusion

An **unmodified auditor's report** was issued on the Territory's 2018-19 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 net operating balance measures the difference between the Territory's expenses and its revenue. The Territory incurred a net operating balance deficit in 2018-19 and this was higher than the deficit anticipated in the budget. As the costs of delivering public services is estimated to continue to exceed revenue, the Territory will continue to incur deficits in forward years until 2021-22.

The operating result is the net operating balance adjusted for other economic impacts. In the Territory, these impacts mainly relate to gains or losses on investments, net gain/(loss) on sale/(disposal) of non-financial assets and gains related to land sales. An operating deficit was made by the Territory in 2018-19 compared to a budgeted surplus. This was largely due to the net operating balance deficit discussed above and less than expected other economic inflows from the losses on the sale/(disposal) of non-financial assets and lower gains related to land sales.

While operating deficits are budgeted for 2019-20 and 2020-21, a surplus is forecast for 2021-22. This surplus depends on continued growth in revenue, constraining expenses and reliance on other economic inflows to offset the estimated deficits in the net operating balance.

The net assets of the Territory were $14 612 million at 30 June 2019. This was below the budgeted amount mainly due to the higher than expected unfunded superannuation liability, which accounts for almost half of the Territory's liabilities.

The Territory had a strong capacity to pay its liabilities that are due within 12 months as its net short-term assets were $750 million at 30 June 2019. The Territory estimates that its short-term assets will remain at adequate levels to meet short-term liabilities in forward years.

Summary

Net operating balance

A net operating balance deficit of $237 million was incurred by the Territory in 2018-19 as the cost of services delivered by the ACT Government ($6 271 million) exceeded its revenue ($6 034 million).

The net operating balance deficit ($237 million) was higher than the budgeted deficit ($131 million) by $106 million (81 percent) largely due to higher than budgeted expenses. Higher expenses were mainly as a result of the recognition of expenses for underground utilities diversions for Light Rail Stage 1 and costs such as landscaping, demolition and planning relating to other projects which were not budgeted under the operating results.

Net operating balance deficits have been incurred by the Territory since 2011-12. Deficits are estimated to continue over the forward years from 2019-20 to 2021-22 ranging from $197 million to $418 million as the costs of delivering public services is estimated to continue to exceed revenue.

Operating result

The Territory's operating deficit of $202 million was $35 million less than the net operating balance deficit of $237 million discussed above as a result of other economic inflows. This was mainly due to net gains on financial assets and land related revenue, partially offset by loss on the sale/(disposal) of non-financial assets.

The Territory incurred an operating deficit of $202 million compared to the budgeted operating surplus of $103 million mainly due to the higher than expected net operating balance deficit and less than expected other economic inflows.

The ACT Government estimates that an operating deficit of $147 million and $161 million will be incurred in 2019-20 and 2020-21 respectively, before returning to a surplus of $42 million in 2021-22.

Financial position

The net assets of the Territory at 30 June 2019 ($14 612 million) were $3 332 million (19 percent) lower than budgeted ($17 944 million) mainly due to the higher than budgeted unfunded superannuation liability.

The unfunded liabilities of the Territory at 30 June 2019 ($12 430 million) were higher than budgeted ($8 730 million) by $3 700 million (42 percent) mainly from a higher than estimated unfunded superannuation liability, which accounts for almost half of the Territory's liabilities.

Unfunded liabilities are estimated to fluctuate over the forward years to 30 June 2023.

The net short-term assets of the Territory at 30 June 2019 ($750 million) was higher than budgeted net liability ($76 million) by $826 million indicating that the Territory has sufficient short-term financial assets to meet its short-term liabilities.

The Territory had a strong capacity to pay its liabilities that are due within 12 months of 30 June 2019. While net short-term assets will undergo some fluctuations, the Territory's short-term assets are forecasted to remain at adequate levels to meet short-term liabilities in the forward years.

Operating results

Table 1-1 Operating results

	Actual 2014-15 $m	Actual 2015-16 $m	Actual 2016-17 $m	Actual 2017-18 $m	Actual 2018-19 $m	Budget 2018-19 $m
Revenue	4 843	5 113	5 436	5 692	6 034	6 077
Expenses	(5 489)	(5 486)	(5 673)	(5 734)	(6 271)	(6 208)
Net operating balance deficit	**(646)**	**(373)**	**(237)**	**(42)**	**(237)**	**(131)**
Other economic inflows	230	2	333	289	35	234
Operating (deficit)/surplus	**(416)**	**(371)**	**96**	**247**	**(202)**	**103**

1.3 Main sources of revenue for the Territory 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.

1.4 Major expenses for the Territory include employee related and operational expenditure, grants and purchased services and depreciation.

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

1.6 The operating (deficit)/surplus is the sum of the net operating balance and other economic flows. 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;
- net gain/(loss) on the sale/(disposal) of non-financial assets reflecting changes in actuarially assessed discount rates on provisions for outstanding insurance claims liabilities and on employee benefits, revaluation in Large-scale Generation Certificates and write-off of inventory (land transfers);
- land revenue (market gains on land sales). This is an estimate of the profit from land sales due to market price increases; and
- 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.

2018-19 operating results

1.7 The Territory incurred a net operating balance deficit of $237 million in 2018-19 as the cost of services delivered by the ACT government ($6 271 million) exceeded revenue ($6 034 million).

1.8 The Territory's operating deficit of $202 million was $35 million less than the operating balance deficit of $237 million discussed above as a result of other economic inflows.

1.9 The other economic inflows ($35 million) mainly relate to gains on investments, the market gain portion of land sales and sales of undeveloped land value. This was partially offset by a reduction in the market value of Large-scale Generation Certificates, higher rates used to estimate the present value of employee benefits and changes in economic assumptions for the provision of outstanding insurance claims liabilities.

2018-19 operating results compared to budget estimates

Net operating balance

1.10 The net operating balance deficit ($237 million) in 2018-19 was higher than the budgeted deficit ($131 million) by $106 million (81 percent). This was mainly due to:

- higher than expected expenses ($63 million) mainly from:
  - the recognition of expenses for underground utilities diversions for Light Rail Stage 1 and costs such as landscaping, demolition and planning relating to other projects which were budgeted to be capitalised;
  - employee and superannuation expenses due to higher staffing levels. The number of average full-time equivalent staff was 21 628 at 30 June 2019 compared to 21 419 expected in the budget; and

- lower than expected revenue ($43 million) mainly from:
  - gains from contributed assets. This was mainly relating to a decrease in the market value of Large-scale Generation Certificates and less than expected assets received from private developers of land; and
  - land revenue from value-add component due to lower land sales predominantly due to a decline in market conditions impacting settlements for single residential blocks.

Operating (deficit)/surplus

1.11 The Territory incurred an operating deficit of $202 million compared to the budgeted operating surplus of $103 million mainly due to the previously referred reasons:

- higher than expected deficit in the net operating balance;
- a loss on the sale/(disposal) of non-financial assets, mainly from a reduction in the market value of Large-scale Generation Certificates and changes from actuarially assessed rates on provisions for outstanding insurance claims liabilities and employee benefit liabilities; and
- lower than expected land related revenue (i.e. market gains on land sales and undeveloped land value).

2018-19 operating results compared to prior year result

1.12 The net operating balance deficit in 2018-19 ($237 million) increased from the deficit incurred in 2017-18 ($42 million) by $195 million (464 percent) mainly due to the increase in expenses ($537 million), partially offset by the increase in revenue ($342 million).

1.13 The increase in expenses of $537 million (9 percent) resulted mainly from higher:

- other operating expenses of $216 million, mainly due to higher expenses relating to Light Rail Stage 1 discussed previously;
- employee and superannuation expenses of $175 million, mostly due to wage increases under revised enterprise agreements as well as growth in health and education services; and
- supplies and services expenses of $92 million mainly resulting from higher:
  - staff development and recruitment costs and communication and software licencing costs; and
  - servicing cost of the Private Public Partnership (PPP) contracts for the ACT Law Courts Facilities and Canberra Light Rail Stage 1 following commencement of operations in April 2019.

1.14 The increase in revenue of $342 million (6 percent) resulted mainly from higher:

- taxation revenue of $214 million (13 percent) with increases in:
  - general rates largely due to tax reform;
  - payroll tax mainly due to a growth in the payroll tax base;
  - lease variation charges mainly due to the introduction of the deferred payment scheme;
- land revenue (value-add component) of $86 million due mainly to higher residential land sales in 2018-19 compared to 2017-18; and
- Australian Government grants of $53 million as the Territory received higher funding for education and health care related services.

1.15 The Territory incurred an operating deficit of $202 million in 2018-19 compared with the prior year operating surplus of $247 million due to:

- an increase in the net operating balance deficit by $195 million, mainly due to higher expenses; and
- a decrease in other economic flows by $254 million, mainly due to a loss on the sale/(disposal) of non-financial assets.

Projected operating results

Table 1-2 Projected operating results

	Actual 2018-19 $m	Budget 2019-20 $m	Estimate 2020-21 $m	Estimate 2021-22 $m	Estimate 2022-23 $m
Revenue	6 034	6 120	6 457	7 012	7 347
Expenses	(6 271)	(6 538)	(6 871)	(7 209)	(7 264)
Net operating balance (deficit)/surplus	**(237)**	**(418)**	**(414)**	**(197)**	**83**
Other economic inflows	35	271	253	239	189
Operating (deficit)/surplus	**(202)**	**(147)**	**(161)**	**42**	**272**

Source: Budget and forward estimates were obtained from the 2019-20 Budget Papers.

1.16 Net operating balance deficits have been incurred by the Territory since 2011-12. Table 1-2 shows that the ACT Government estimates deficits will continue to be incurred over the forward years from 2019-20 to 2021-22 ranging from $197 million to $418 million, as the costs of delivering public services is estimated to exceed projected revenue.

1.17 The ACT Government estimates operating deficits of $147 million and $161 million will be incurred in 2019-20 and 2020-21 respectively, before returning to a surplus of $42 million in 2021-22.

1.18 Forecasted operating results depend on a continued growth in revenue, constraining expenses to forecasted amounts and generating sufficient gains from investments to offset the estimated deficits in the net operating balance. As investment markets are volatile, the Territory's exposure to deficits in future years remains high.

Financial position

Table 1-3 Net assets

At 30 June	Actual 2015 $m	Actual 2016 $m	Actual 2017 $m	Actual 2018 $m	Actual 2019 $m	Budget 2019 $m
Assets						
Financial assets - Note 1	2 253	2 430	2 450	2 218	3 192	1 722
Property, plant and equipment	20 894	21 464	22 225	22 744	24 450	24 072
Other non-financial assets - Note 2	2 410	2 632	2 559	2 612	2 592	2 601
Total assets	**25 557**	**26 526**	**27 234**	**27 574**	**30 234**	**28 395**
Liabilities						
Borrowings	3 148	3 511	3 555	3 441	4 476	3 524
Unfunded superannuation - Note 3	5 213	7 330	4 865	5 746	7 583	3 680
Advances received, payables and finance leases	1 445	1 714	1 708	1 384	1 856	1 963
Employee benefits and other provisions	1 055	1 080	971	1 156	1 676	1 246
Other	22	9	48	43	31	38
Total liabilities	**10 883**	**13 644**	**11 147**	**11 770**	**15 622**	**10 451**
Net assets	**14 674**	**12 882**	**16 087**	**15 804**	**14 612**	**17 944**
Ratio of assets to liabilities	**2.3:1**	**1.9:1**	**2.4:1**	**2.3:1**	**1.9:1**	**2.7:1**

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.

1.19 Assets and liabilities used by the Audit Office in the analysis of financial position may not agree with the assets and liabilities in the Territory's audited financial statements because superannuation related assets and liabilities have been excluded.

1.20 Under the *Territory Superannuation Provision Protection Act 2000*, superannuation investments can only be used to make payments related to employee superannuation, and therefore are not available to meet other obligations of the Territory.

1.21 Assets of the Territory are largely comprised of:

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

1.22 Liabilities of the Territory largely include unfunded superannuation liabilities, borrowings and advances from the Commonwealth Government.

1.23 The capacity of the Territory to meet its obligations over the long-term can be assessed by evaluating the Territory's net asset position and ratio of assets to liabilities i.e. how much assets the Territory has 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 $1.90 in assets to meet each dollar of liabilities as at 30 June 2019.

1.24 Net assets of the Territory at 30 June 2019 ($14 612 million) were lower than budgeted ($17 944 million) by $3 332 million (19 percent). This was due mainly to a higher than budgeted unfunded superannuation liability resulting from the use of a lower discount rate to estimate the present value of the liability at 30 June 2019 compared to the rate used to prepare the budget estimate.

1.25 Net assets of the Territory at 30 June 2019 ($14 612 million) were lower than 30 June 2018 ($15 804 million) by $1 192 million (8 percent). The net asset position of the Territory can fluctuate significantly mainly due to fluctuations in the Territory's unfunded superannuation liabilities resulting from changes to the discount rate used to estimate the present value of the liability.

1.26 The superannuation liability is estimated or valued to present value using the Commonwealth Government bond (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 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 rate decreases the estimated superannuation liability.

1.27 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 3 of this report.

Unfunded liabilities

Table 1-4 Unfunded liabilities

At 30 June	Actual 2015 $m	Actual 2016 $m	Actual 2017 $m	Actual 2018 $m	Actual 2019 $m	Budget 2019 $m
Liabilities						
Unfunded superannuation - Note 1	5 213	7 330	4 865	5 746	7 583	3 680
Borrowings	3 148	3 511	3 555	3 441	4 476	3 524
Advances received, payables and finances leases	1 445	1 714	1 708	1 384	1 856	1 963
Other (including employee benefits)	1 077	1 089	1 019	1 199	1 707	1 285
Total liabilities	**10 883**	**13 644**	**11 147**	**11 770**	**15 622**	**10 452**
Financial assets - Note 2	**2 253**	**2 430**	**2 450**	**2 218**	**3 192**	**1 722**
Unfunded liabilities	**8 630**	**11 214**	**8 697**	**9 552**	**12 430**	**8 730**

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.

1.28 The long-term financial position of the Territory can also be assessed by comparing total liabilities to financial assets (i.e. unfunded liabilities), 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 readily available for sale to meet its liabilities; and
- net debt as this measure does not take into account the significant superannuation liability, which makes up almost half of the Territory's total liabilities.

As the Territory's total liabilities exceed its financial assets, the Territory is in an 'unfunded liability position'.

1.29 Unfunded liabilities of the Territory at 30 June 2019 ($12 430 million) were higher than budgeted ($8 730 million) by $3 700 million (42 percent). This was mainly due to a higher than estimated unfunded superannuation liability resulting from the use of a lower discount rate to estimate the present value of the liability at 30 June 2019 compared to the rate used to prepare the budget estimate. A rate of 5 percent was anticipated in the budget, compared with the rate of 1.92 percent used as at 30 June 2019.

1.30 Unfunded liabilities of the Territory at 30 June 2019 ($12 430 million) have increased from 30 June 2018 ($9 552 million) by $2 878 million (30 percent) mainly due to the increase in the unfunded superannuation liability. The increase was mainly attributed to the use of a lower discount rate of 1.9 percent to estimate the present value of the liability at 30 June 2019 compared to the rate of 3.11 percent used as at 30 June 2018.

1.31 Unfunded liabilities of the Territory can fluctuate significantly due to the unfunded superannuation liability valuation. For example, this year the unfunded superannuation liability increased by $1 837 million (32 percent) from 2018 while it decreased by $2 465 million (34 percent) from 2016 to 2017. These fluctuations were largely due to changes in assumptions to estimate the balance, mainly the discount rate to estimate the present value of the liability.

1.32 Borrowings remain fairly consistent between the prior years until 30 June 2019 when the Territory borrowed an additional $1 035 million (30 percent) as short-term borrowing for liquidity management purposes.

Projected unfunded liabilities

Table 1-5 Projected unfunded liabilities

At 30 June	Actual 2019 $m	Budget 2020 $m	Estimate 2021 $m	Estimate 2022 $m	Estimate 2023 $m
Liabilities					
Unfunded superannuation - Note 1	7 583	3 670	3 590	3 470	3 308
Borrowings	4 476	4 772	5 308	5 592	5 423
Advances received, payables and finance leases	1 856	2 191	2 352	2 244	2 304
Other liabilities (including employee benefits)	1 707	1 648	1 700	1 771	1 836
Total liabilities	**15 622**	**12 281**	**12 950**	**13 077**	**12 871**
Financial assets - Note 2	**3 192**	**2 372**	**2 411**	**2 406**	**2 406**
Unfunded liabilities	**12 430**	**9 909**	**10 539**	**10 671**	**10 465**

Source: Budget and forward estimates were obtained from the 2019-20 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.

1.33 The Territory's estimated unfunded liabilities are presented in Table 1-5. Unfunded liabilities at 30 June 2019 of $12 430 million is estimated to decrease to $10 465 million at 30 June 2023. This is largely due to an estimated decrease in the unfunded superannuation liabilities.

1.34 The unfunded superannuation liability at 30 June 2019 of $7 583 million is estimated to decrease by $4 275 million (56 percent) to $3 308 million at 30 June 2023 mainly due to the use of a long-term discount rate assumption of 5 percent which is consistent with the discount rates used by the Commonwealth Government to estimate the liability for their Commonwealth Superannuation Scheme and Public Sector Superannuation Scheme liabilities.

Further information on the superannuation liability of the Territory can be found in the section on the Superannuation Provision Account in Chapter 3 of this report.

Net short-term assets

Table 1-6 Net short-term assets

At 30 June	Actual 2015 $m	Actual 2016 $m	Actual 2017 $m	Actual 2018 $m	Actual 2019 $m	Budget 2019 $m
Short-term financial assets - Note 1	2 253	2 430	2 450	2 218	3 192	1 722
Short-term liabilities - Note 2	1 403	1 283	1 308	1 234	2 442	1 798
Net short-term assets	**850**	**1 147**	**1 142**	**984**	**750**	**(76)**
Ratio of short-term financial assets to short-term liabilities	**1.6:1**	**1.9:1**	**1.9:1**	**1.8:1**	**1.3:1**	**1.0:1**

Note 1: Financial assets 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 purpose of this analysis, these investments have been excluded from financial 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.

1.35 The capacity of the Territory to meet its obligations over the short-term can be assessed by comparing the short-term financial assets available to meet its short-term liabilities.

Table 1-6 shows that the Territory is in a net short-term assets position as it has sufficient short-term financial assets to meet its short-term liabilities.

1.36 Net short-term assets of the Territory at 30 June 2019 ($750 million) were higher than budgeted net liability ($76 million) by $826 million. This was mainly due to higher than expected cash and deposits held by the Territory, which was partly funded by proceeds from the borrowings discussed previously.

1.37 Net short-term assets of the Territory at 30 June 2019 ($750 million) have decreased from 30 June 2018 ($984 million) by $234 million (24 percent) mainly due to higher short-term liabilities. This included borrowings undertaken by the ACT Government, as discussed previously.

1.38 The Territory has maintained sufficient short-term financial assets to meet its short-term liabilities in recent years.

Projected net short-term assets

Table 1-7 Projected net short-term assets

At 30 June	Actual 2019 $m	Budget 2020 $m	Estimate 2021 $m	Estimate 2022 $m	Estimate 2023 $m
Short-term financial assets - Note 1	3 192	2 372	2 411	2 406	2 406
Short-term liabilities - Note 2	2 442	1 383	1 964	1 462	2 648
Net short-term assets	**750**	**989**	**447**	**944**	**(242)**
Ratio of short-term assets to short-term liabilities	**1.3:1**	**1.7:1**	**1.2:1**	**1.6:1**	**0.9:1**

Source: Budget and forward estimates were obtained from the 2019-20 Budget Papers.

Note 1: Financial assets 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 purpose of this analysis, these investments have been excluded from financial 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.

1.39 The Territory had a strong capacity to pay its liabilities due within 12 months as the net short-term assets were $750 million at 30 June 2019.

1.40 The ACT Government estimates that its net short-term assets will undergo some fluctuations in the forward years. However, the Territory's short-term assets are forecasted to remain at adequate levels to meet its short-term liabilities during this period.

2 AUDIT FINDINGS

2.1 The Audit Office conducts audits of ACT Government agencies' financial statements and limited assurance engagements on their statements of performance. This Chapter provides information on the audit findings that were identified during the audit of agencies' financial statements and the limited assurance engagements on their statements of performance.

2.2 Audit findings identified and reported in audit management reports by the Audit Office include:

- deficiencies in internal controls. These include matters that can result in fraudulent activities and ineffective key controls that can undermine the control environment;
- improvements required in reporting practices for the preparation and presentation of the financial statements or the statement of performance. 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. These include matters which have been previously reported to management by the Audit Office but have not been satisfactorily addressed and matters that pose an operational or financial risk.

2.3 The Audit Office reports audit findings in an audit management report as required by Australian Auditing Standards[1] to those charged with governance of an agency. Those charged with governance include Directors-General, Chairs of Governing Boards and Chief Executives. The Audit Office also provides a copy of the audit management report to the relevant Minsters of each agency and Internal Audit Committees.

2.4 The Audit Office includes a suggested timeframe to address each audit finding (e.g. within 3, 6 or 12 months) and provides an update on the progress made by the agency in addressing previously reported audit findings.

2.5 Audit findings from the review of controls over computer information systems performed as part of financial audits are not included in this chapter as these findings are separately reported in the '2018-19 Financial Audits – Computer Information Systems' report to be tabled in 2020.

2.6 The Chief Minister, Treasury and Economic Development Directorate (the Directorate) prepares model financial statements and issues these to the reporting agencies each year. The model financial statements provide guidance to agencies on compliance with the requirements of the Australian Accounting Standards and *Financial Management Act 1996* and help promote consistency between reporting agencies' financial statements.

---

[1] Australian Auditing Standards ASA 260: 'Communication with Those Charged with Governance' and ASA 265: 'Communicating Deficiencies in Internal Control to Those Charged with Governance and Management'.

2.7 The Audit Office reviews the model financial statements before these are provided to the reporting agencies.

2.8 This Chapter also includes a discussion on the findings from the Audit Office's review of the model financial statements in 2018-19 particularly in relation to streamlining and simplifying (de-cluttering) financial statements of the reporting agencies.

Conclusion

Audit findings

The number of audit findings reported to agencies have steadily decreased over the last three financial years. However, as half of previously reported audit findings were not resolved or were only partially resolved in 2018-19, agencies should give attention to promptly addressing these findings.

Model financial statements

The review of the model financial statements in 2018-19 indicates further work is needed by the Directorate to streamline and simplify (de-clutter) the model financial statements.

Summary

Audit findings

The Audit Office reported 44 audit findings to agencies in 2018-19. Half of these findings related to new audit findings identified from the current year's audits and the balance related to previously reported audit findings that were not resolved or only partially resolved.

The number of audit findings reported by the Audit Office has decreased by 35 (44 percent) from 79 at 30 June 2016 to 44 at 30 June 2019, reflecting implementation of recommendations by agencies to improve their governance arrangements, reporting practices and internal controls.

More than two thirds of all audit findings (68 percent or 30 of 44) in 2018-19 related to deficiencies in internal controls with most of these presenting a risk of theft or fraud.

While the number of audit findings is declining, agencies need to continue to give attention to addressing previously reported audit findings in a timely manner as half of the previously reported audit findings in 2018-19 (22 of 44) were not resolved or only partially resolved.

Model financial statements

The Audit Office's review of the model financial statements in 2018-19 identified several areas to further de-clutter the model financial statements. The Directorate has advised that this work will commence progressively from 2019-20 model financial statements.

Status of audit findings

2.9 The Audit Office reported 44 audit findings to reporting agencies in 2018-19. Table 2-1 shows the status of audit findings reported to agencies in audit management reports from 2016-17 to 2018-19.

Table 2-1 Status of audit findings

Year	Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
2016-17	79	(39)	17	23	30	70
2017-18	68[2]	(36)	16	16	31	63
2018-19	63	(41)	10	12	22	44

Source: Audit Office records.

2.10 The number of audit findings reported by the Audit Office has decreased by 35 (44 percent) from 79 at the beginning of 2016 to 44 at 30 June 2019. The reduction in audit findings is due to the number of previously reported audit findings resolved (118) exceeding the number of new audit findings (83) identified over the period from 2016-17 to 2018-19.

2.11 The decrease in the number of audit findings demonstrates that:

- agencies are taking action to implement recommendations made by the Audit Office to resolve deficiencies or weaknesses in internal controls, reporting practices and governance arrangements. Agencies are increasing their efforts to resolve a relatively higher percentage of previously reported audit findings. For example, 65 percent (41 of 63) of audit findings were resolved in 2018-19 compared with 49 percent (39 of 79) resolved in 2016-17; and

- agencies have improved their internal controls, reporting practices and governance arrangements which results in relatively fewer number of new audit findings being identified by the Audit Office. For example, only 22 new audit findings were identified in 2018-19 compared with 30 in 2016-17.

2.12 The performance of agencies in resolving previously reported audit findings is improving over the period. Close to two-thirds of previously reported audit findings have been resolved in 2018-19 (65 percent) compared with close to half of the findings resolved in 2016-17 (49 percent) and 2017-18 (53 percent).

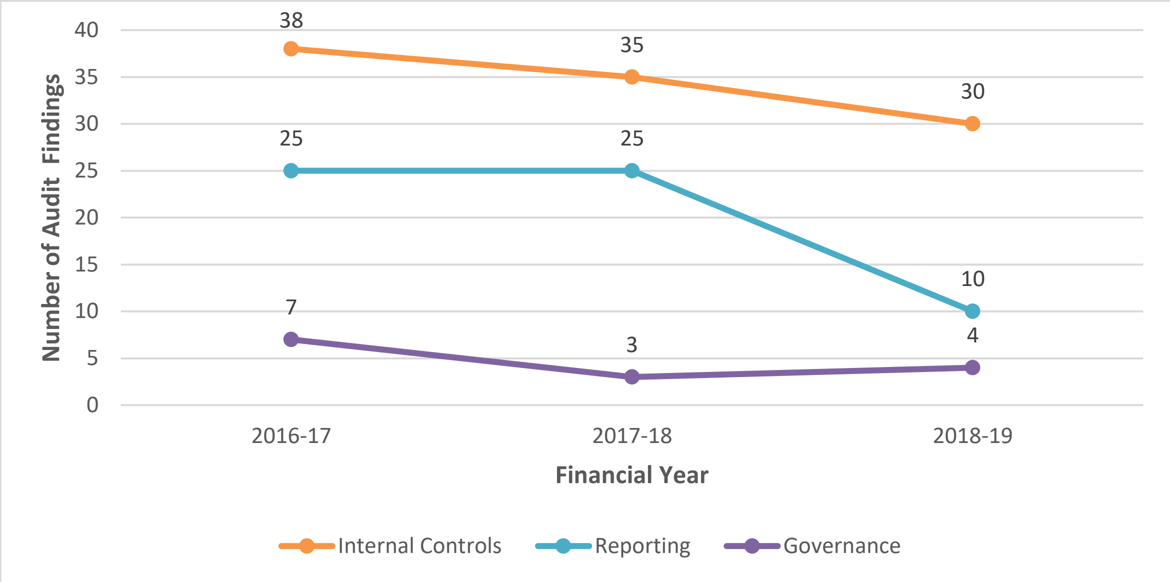
2.13 While the number of audit findings is declining, agencies need to continue to give attention to addressing previously reported audit findings in a timely manner as half of the previously reported audit findings in 2018-19 (22 of 44) were not resolved or only partially resolved.

[2] Two previously reported audit findings relating to the former Land Development Agency have been removed as the Agency ceased operations in 2017-18. Accordingly, 70 audit findings as at 30 June 2017 has been revised down to 68 at the beginning of 2017-18.

Categories of audit findings

2.14 Figure 2-1 shows the three categories of audit findings (internal controls, reporting and governance) reported to agencies in audit management reports from 2016-17 to 2018-19.

Figure 2-1 Categories of audit findings



Source: Audit Office records.

2.15 There has been a consistent reduction in audit findings related to internal controls from 38 in 2016-17 to 30 in 2018-19. While agencies are making some progress in implementing and maintaining effective internal controls, they need to continue to focus on rectifying issues identified by the Audit Office as internal control deficiencies represent over 68 percent of the audit findings reported to agencies in 2018-19.

2.16 The number of audit findings relating to reporting practices has decreased from 25 in 2016-17 and 2017-18 to 10 in 2018-19. This shows that agencies have made significant improvements to their reporting practices and procedures over the past 12 months.

2.17 The number of audit findings relating to governance has fallen from 7 in 2016-17 to 4 in 2018-19. These four audit findings related to deficiencies in fraud and corruption control plans, business continuity plans and risk management practices.

2.18 Within the categories of audit findings, a number of similar issues have been identified across agencies. Areas where similar audit findings were identified for deficiencies in internal controls include the:

- review of salary reports. Regular reviews of these reports including evidence of the review provides assurance that employees are being paid the correct amounts and reduces the risk of incorrect or fraudulent salary payments; and

- preparation and review of reconciliations for revenue systems, cash receipt collections and bank accounts. Ensuring these reconciliations are performed and independently reviewed on a regular basis reduces the risk of errors and irregularities in these financial records.

2.19 Similar audit findings relating to agencies' financial and performance reporting practices include:

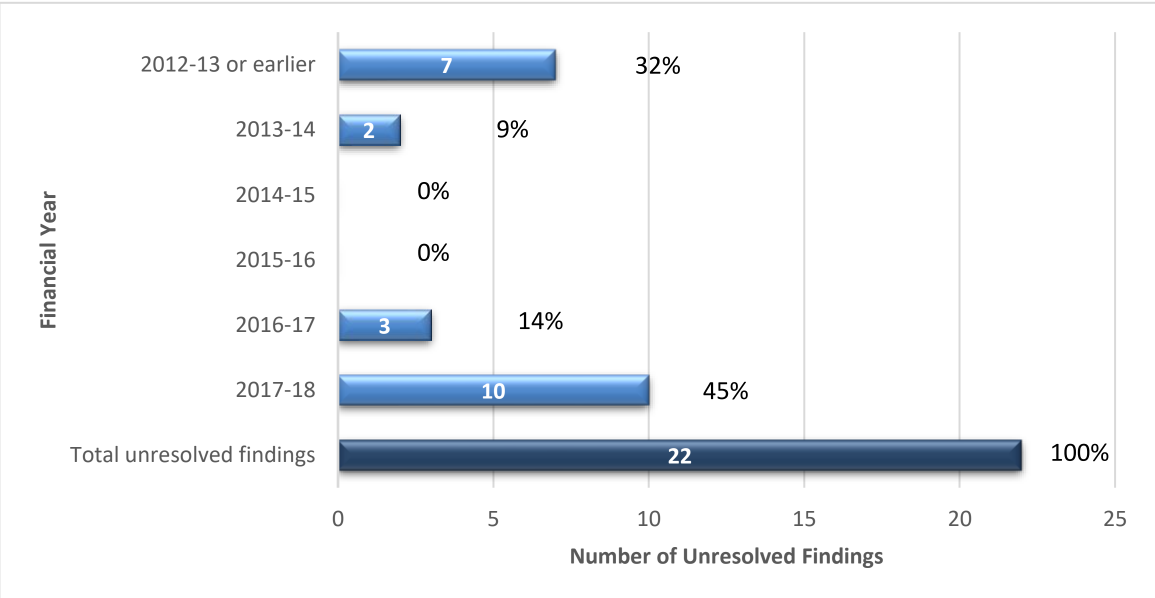
- not measuring the results of accountability indicators in the statement of performance and errors in the reported results in the statement of performance. Accurately measuring and reporting the results for accountability indicators reduces the risk of non-compliance with the reporting requirements of the *Financial Management Act 1996*; and
- the lack of usefulness and clarity of accountability indicators included in the statement of performance. Clearly defined and useful accountability indicators and processes used to measure the accountability indicators reduces the risk that the statement of performance may not provide readers with useful information about an agency's performance.

2.20 Further information on audit findings reported to agencies is provided later in this report in Section 3 'Financial Results and Audit Findings of Selected Reporting Agencies'.

Aging of unresolved audit findings

2.21 As of 30 June 2019, 22 (50 percent) of the 44 audit findings that were previously reported to agencies were either partially resolved or not resolved (i.e. unresolved). Figure 2-2 shows a breakdown of when these 22 unresolved audit findings were first reported to agencies.

Figure 2-2 Aging of 2018-19 unresolved audit findings



Source: Audit Office records.

2.22 Of the 22 unresolved audit findings, 7 (32 percent) were first reported to agencies six or more years ago (2012-13 or earlier). All of these findings relate to deficiencies in internal controls and they were mostly 'partially agreed', 'agreed-in-principle' or 'noted' by agencies. Agencies do not fully agree with audit findings when they assess that adequate alternative processes or procedures are in place to mitigate the deficiencies identified by the Audit Office.

These matters did not have a material impact on the financial statements of respective agencies and as such, the auditor's reports on the financial statements for these agencies were not modified.

2.23 The 2 (9 percent) audit findings reported in 2013-14 related to deficiencies in internal controls where agencies did not perform regular or timely review of salary reports. The respective agencies have 'agreed' to the audit recommendations and will be addressing these control weaknesses to reduce the risk of incorrect or fraudulent salary payments not being promptly identified and addressed.

2.24 All audit findings reported in 2014-15 and 2015-16 have been resolved by agencies. This demonstrates that agencies have responded positively to audit recommendations and related matters where capable of being resolved without significant changes to processes or systems.

2.25 The remaining 13 (59 percent) unresolved audit findings were reported in 2016-17 and 2017-18. The majority of these findings comprised deficiencies in:

- internal controls where weaknesses in performing bank and revenue reconciliations and the review of salary reports were identified; and
- reporting practices where the usefulness and clarity of accountability indicators reported in the statement of performance could be improved.

2.26 Agencies have 'agreed' to audit recommendations from the Audit Office on audit findings reported in 2016-17 and 2017-18. The implementation of these recommendations will be followed up by the Audit Office as part of the 2019-20 financial statements audit.

Model financial statements

2.27 As mentioned earlier in this chapter, the Directorate issues model financial statements annually to reporting agencies to assist them with preparing their financial statements and to facilitate compliance with the presentation requirements of the Australian Accounting Standards and the *Financial Management Act 1996* as well as help promote consistency between reporting agencies' financial statements. The model financial statements are reviewed by the Audit Office prior to being finalised and issued to the agencies each year.

2.28 In 2016-17, the Australian Accounting Standard AASB 101: 'Presentation of Financial Statements' was amended to include requirements to streamline and simplify (de-clutter) financial statements. In response to this change, the Directorate amended the model financial statements by relocating information such as accounting policies to the appendices and removed some immaterial information from the note disclosures.

2.29 Professional accounting bodies, for example, the Chartered Accountants Australia & New Zealand offer the following guidance on 'de-cluttering':

> ...The aim of cutting the clutter in financial reports is to provide concise, clear and informative financial information to users that is specific to the entity. This is done by using the 3 R's of de-cluttering:
>
> - **Remove** immaterial or irrelevant financial report disclosures that have built up over time - This helps to remove irrelevant or redundant disclosures, generally leading to a shorter Report.
> - **Re-order** and re-label accounting policies and detailed notes so that they better reflect the key financial measures and focus on areas of most relevance to the entity. This can include using section headers and call-out boxes to highlight key matters for the period such as critical accounting judgements or estimates.
> - **Re-write** technical wording into plain English, whilst still fully complying with relevant accounting standard and regulatory requirements.

2.30 In 2017-18, the Audit Office de-cluttered its financial statements with the assistance of a private sector firm, GAAP Consulting, and found that the financial statements were easier to read and took less time to prepare.

2.31 The Office is of the view that the Territory could also benefit from the improvements such as those that were made to the Audit Office's financial statements. Therefore, in 2018-19 the Office engaged GAAP Consulting to conduct an assessment of the model financial statements from a 'de-cluttering' perspective to gauge the level of compliance with the new requirements of AASB 101 and to assess where further improvements could be made.

2.32 The report prepared by GAAP Consulting acknowledged that de-cluttering a model set of financial statements is somewhat difficult given that the stated purpose of the model is to illustrate compliance with accounting standards. However, it found that decluttering is best addressed through rigorous application of materiality by the preparers of the financial statements. In this regard, the report suggested that materiality guidance in the *Financial Statement Guidelines for Agencies* be updated to reflect developments that see the application of materiality as the means to reduce 'clutter' in the financial statements.

2.33 The GAAP Consulting report also made several suggestions on improvements that could be made to the model financial statements. These included the following:

- grouping, re-ordering and re-labelling detailed notes so that they better reflect the key financial measures and focus on areas of most relevance to users of financial statements;
- re-writing technical wording into plain English. This may require a professional editor to work with the preparer of the model financial statements to achieve this objective. This should result in clarity and consistency of expression, shorter sentences, and removal of unnecessary words. Overall, this will enhance users' understanding of the financial statements; and

- *Management discussion and analysis – Better practice guide* is dated and needs to be revised by reference to International Financial Reporting Standards[3] and other contemporary publications on the topic.

2.34 The Directorate has advised that it will address the findings progressively from the 2019-20 model financial statements.

[3] (IFRS)/AASB Practice Statement 1 *Management Commentary.*

3 FINANCIAL RESULTS AND AUDIT FINDINGS OF SELECTED REPORTING AGENCIES

3.1 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. 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

3.2 The ACT Health Directorate (the Directorate) was established on 1 October 2018 as a result of *Administrative Arrangement 2018 (No.2)* which separated the former Health Directorate into two directorates, Canberra Health Services and the ACT Health Directorate.

3.3 Functions transferred from the former Health Directorate to the Directorate included health policy and planning, management and regulation of public health services, research programs, performance monitoring and reporting of health services, and responsibility for administration of the ACT Local Hospital Network Directorate. Information on Canberra Health Services and the ACT Local Hospital Network Directorate is provided later in this chapter.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Directorate's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The Directorate was established on 1 October 2018 as a result of changes to administrative arrangements therefore no budget or prior year figures are included in its financial statements.
- The net cost of the Directorate's services for the period was $217 million.
- The Directorate did not draw down $33 million of the Government contributions appropriated for the period mainly due to:
  - changes in the timing of planning and design work for new building and computer information system projects to future financial years;
  - deferring spending on some new health programs to the 2019-20 financial year; and
  - a lower workers' compensation insurance premium.
- Two new audit findings were identified during the audit relating to the review of salary reports and timeliness of credit card acquittals.

Financial results

Table-3-1 Key results

	Actual 1 Oct 2018 to 30 Jun 2019 $m
Expenses	(232)
Income	15
Net cost of services	**(217)**
Government contributions	194
Operating deficit	**(23)**
Capital injections	**8**

3.4 As the Directorate was established on 1 October 2018 as a result of changes to administrative arrangements there were no budget or prior year figures included in its financial statements.

3.5 The Directorate's expenses mainly consist of grant payments to third-party health service providers, employee expenses, information technology system support and operating costs and amortisation of computer information systems.

3.6 The Directorate's income mostly consists of:

- funding received from the ACT Local Hospital Network Directorate and grants from the Commonwealth. This funding is used to provide public health services including breast screening, family planning and drug education services along with rehabilitation therapy programs; and
- a one off refund of the workers' compensation insurance premium for the period.

3.7 The net cost of the Directorate's services for the period was $217 million.

3.8 Government contributions were $194 million for the period. The Directorate did not draw down $33 million of the Government contributions appropriated for the period mainly due to:

- changing the timing of planning and design work for new building and computer information system projects to future financial years;
- deferring spending on some new health programs to the 2019-20 financial year; and
- less funding required for the prepayment of next year's workers' compensation insurance premium, as the one off refund mentioned above was used to reduce the amount required to be contributed by the Government.

3.9 Capital injections were $8 million for the period. The Directorate did not draw down $23 million of allocated capital injections due to the decision to defer the commencement of work on new building and computer information systems projects to future financial years.

Audit findings

3.10 Two audit findings were identified during the period for the Directorate, they relate to:

- the review of salary reports. There was not always evidence of the review of salary reports being performed, and those reviews that were performed were not always conducted in a timely manner. This increases the risk incorrect or fraudulent employee payments will not be promptly detected and addressed; and
- credit card acquittals. Some credit card acquittals were not performed by the credit card holders in a timely manner. There is a higher risk of inappropriate or fraudulent use of credit cards when credit card transactions are not acquitted in a timely manner.

ACT Insurance Authority

3.11 The ACT Insurance Authority (Authority) is the insurer of major risks faced by the Territory and ACT Government agencies. It purchases insurance from external insurance providers to cover catastrophic risks such as natural disasters and medical malpractice.

3.12 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 Treasurer about insurance and management of the Territory's risks.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Authority's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The Authority's operating surplus ($13 million) exceeded the budgeted break-even result mainly due to higher than expected net returns from investments being partially offset by higher net insurance claims expenses.
- The Authority paid $70 million in capital contributions to the ACT Government in 2018-19 as anticipated in the budget.
- The Authority had sufficient assets to meet estimated insurance claims liabilities at 30 June 2019.

Financial results

Table 3-2 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Gross premiums	51	51	51
Net returns from investments	31	10	10
Income	**82**	**61**	**61**
Net insurance claims expenses	(59)	(50)	(17)
Reinsurance and other expenses	(10)	(11)	(10)
Expenses	**(69)**	**(61)**	**(27)**
Operating surplus	**13**	**-**	**34**
Capital distributions to the ACT Government	**70**	**70**	**-**

3.13 Income consists of insurance premiums collected from ACT Government agencies and net returns from investments.

Income ($82 million) was $21 million (35 percent) higher than the budgeted amount ($61 million) due to higher net returns from investments resulting from better than expected market conditions.

3.14 Expenses are mainly net insurance claims expenses consisting of insurance claims settlement payments and changes in the actuarial estimate of insurance claims liabilities.

The estimate of insurance claims liabilities is affected by the quantity and type 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.

Net insurance claims expenses ($59 million) were $9 million (18 percent) higher than the budget amount ($50 million). This was mainly due to higher insurance claims settlement payments resulting from some medical malpractice insurance claims settling earlier than expected.

3.15 The Authority's operating surplus ($13 million) exceeded the budgeted break-even result mainly due to higher net returns from investments being partially offset by higher net insurance claims expenses.

3.16 The Authority paid $70 million in capital distributions to the ACT Government in 2018-19 as anticipated in the budget.

Financial position

Table 3-3 Net assets

At 30 June	Actual 2019 $m	Budget 2019 $m	Actual 2018 $m
Total assets	326	329	375
Total liabilities	(254)	(276)	(244)
Net assets	**72**	**53**	**131**
Ratio of total assets to total liabilities	**1.3 to 1**	**1.2 to 1**	**1.5 to 1**

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

3.18 The Authority had sufficient assets to meet its liabilities at 30 June 2019. The Authority's net asset position at 30 June 2019 ($72 million) exceeded the budgeted net asset position ($53 million) by $19 million (36 percent) due to lower than expected insurance claims liabilities and a reduction in other liabilities from the transfer of obligations of the ACT Government to the new ACT Public Sector Workers Compensation Fund.

The Authority's net assets ($72 million) decreased by $59 million from the prior year ($131 million) mainly due to the Authority paying $70 million in capital distributions to the ACT Government.

ACT Local Hospital Network Directorate

3.19 Under the National Health Reform Agreement, public hospital services are jointly funded by the states, territories and the Commonwealth Government through the National Health Funding Pool. In the ACT, this funding is paid to the ACT Local Hospital Network Directorate (the Directorate) to purchase public hospital services from four ACT public hospital providers (Canberra Health Services, Calvary Public Hospital, Clare Holland House and Queen Elizabeth II Family Centre).

3.20 The Directorate also settles the cross-border (interstate) health costs with the other Australian states and the Northern Territory. Cross-border health costs relate to interstate patients being treated in ACT public hospitals and ACT residents being treated in interstate public hospitals.

3.21 The Directorate is administered by the Director-General of the ACT Health Directorate. Information on the ACT Health Directorate was provided earlier in this chapter.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Directorate's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of the Directorate's services ($1 073 million) was consistent with the budgeted cost ($1 068 million), however it exceeded the prior year's cost ($1 009 million) by $64 million (6 percent) mainly due to an increase in:
  - ACT public hospital services purchased by the Directorate; and
  - cross-border health expenses from more ACT residents being treated in interstate public hospitals.

Financial results

Table 3-4 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(1 193)	(1 176)	(1 114)
Cross-border health revenue	120	108	105
Net cost of services	**(1 073)**	**(1 068)**	**(1 009)**
Amounts received from the Commonwealth Government to fund public hospital services	413	398	386
Amounts received from the ACT Government to fund public hospital services	655	670	630
Operating (deficit)/surplus	**(5)**	**-**	**7**

3.22 Expenses mainly consist of payments made to:

- Canberra Health Services, Calvary Public Hospital, Clare Holland House and Queen Elizabeth II Family Centre for providing public hospital services to ACT and interstate residents; and
- states and the Northern Territory for providing public hospital services to ACT residents in their respective jurisdictions under cross-border (interstate) health arrangements.

3.23 Cross-border health revenue is earned from treating residents from other states and the Northern Territory in ACT public hospitals.

3.24 The net cost of the Directorate's services ($1 073 million) was consistent with the budgeted cost ($1 068 million), however, it exceeded the prior year's cost ($1 009 million) by $64 million (6 percent) mainly due to an increase in:

- ACT public hospital services (primarily higher acute, sub-acute and non-admitted health services) purchased by the Directorate; and
- cross-border health expenses resulting from more ACT residents being treated in interstate public hospitals.

3.25 The combined amount received from the Commonwealth and ACT Government to fund public hospital services ($1 068 million) was consistent with the budgeted amount. The amount received from the ACT Government ($655 million) was slightly lower than the budgeted amount ($670 million) as the higher than expected funding from the Commonwealth Government ($413 million) meant a lower contribution was required from the ACT Government.

ActewAGL Joint Venture

3.26 The ActewAGL Joint Venture (ActewAGL) sells energy (electricity and gas) and owns and operates the energy networks which provide energy to customers in the ACT and surrounding regions. It consists of the ActewAGL Retail Partnership and ActewAGL Distribution Partnership.

3.27 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 2018-19 financial reports of the ActewAGL Joint Venture, ActewAGL Retail Partnership and ActewAGL Distribution Partnership.
- ActewAGL's profit in 2018-19 ($176 million) was $10 million (5 percent) lower than the profit generated in 2017-18 ($186 million) mainly due to increased expenses relating to energy purchases driven by an increase in wholesale energy costs.
- ActewAGL had sufficient short-term assets to cover its short-term liabilities at 30 June 2019.
- ActewAGL resolved one previously reported audit finding by promptly removing user access to the ActewAGL Corporate Information Technology network for terminated employees. The previously reported audit finding relating to the adequacy of user access reviews for application systems was partially resolved.
- Four new audit findings were identified during the 2018-19 audit relating to user access management, monitoring of privileged user activity, segregation of duties for change management processes and user access to the payroll electronic funds transfer file.

Financial results

Table 3-5 Key results

	Actual 2018-19 $m	Actual 2017-18 $m
Income	961	935
Expenses	(785)	(749)
Profit	**176**	**186**
Distributions paid to partners	**118**	**133**
Distributions paid to Icon Water (50 percent)	**59**	**67**

3.28 Income mostly comes from the sale and distribution of energy (electricity and gas).

3.29 Expenses mainly consist of energy purchases and network distribution costs, employment costs and depreciation and amortisation expense.

3.30 ActewAGL's profit in 2018-19 ($176 million) was $10 million (5 percent) lower than the profit generated in 2017-18 ($186 million). This was mainly due to increased expenses for energy purchases costs relating to an increase in wholesale prices paid for electricity and gas. The higher expenses were mostly offset by higher income from energy sales.

3.31 Distributions paid to Icon Water in 2018-19 ($59 million) were $8 million (12 percent) less than in the prior year ($67 million) due to the lower profit in 2018-19.

Financial position

Table 3-6 Net short-term assets

At 30 June	Actual 2019 $m	Actual 2018 $m
Short-term assets	309	290
Short-term liabilities	221	213
Net short-term assets	**88**	**77**
Ratio of short-term assets to short-term liabilities	**1.4 to 1**	**1.4 to 1**

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

3.32 ActewAGL had sufficient short-term assets to cover its short-term liabilities at 30 June 2019.

Audit findings

Table 3-7 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
2	(1)	1	-	4	5

3.33 ActewAGL resolved one previously reported audit finding by promptly removing user access to the ActewAGL Corporate Information Technology network for terminated employees. This reduced the risk of inappropriate, unauthorised and/or possibly fraudulent access to the network and systems.

3.34 ActewAGL partially resolved a previously reported audit finding relating to the adequacy of user access reviews for application systems by improving its user access management procedures and performing user access reviews for most of its key applications in accordance with these procedures. However, user access reviews were not performed for the ActewAGL Distribution billing system in accordance with ActewAGL's user access procedures. This increases the risk of unauthorised access to key application systems.

ActewAGL advised:

> The inconsistency of user access review processes applying to the ActewAGL Distribution billing system has now been addressed and is performed in line with the streamlined processes as defined for the other in-scope systems. ActewAGL will continue to monitor user access review reporting for this system to provide assurance of continuous compliance with this recommendation.

3.35 Four audit findings were identified in 2018-19. They are:

- Periodic user access reviews were not performed for the operating system and databases which support ActewAGL's key information technology application systems (billing, human resource management and financial accounting systems). This increases the risk of unauthorised access to the operating system and databases which support key application systems.

  ActewAGL advised:

  > The User Access Review processes which have been streamlined for the four in-scope systems have been extended to cover the underlying database systems and the operating systems on which the in-scope systems are built. Ongoing compliance is monitored.

- Monitoring of privileged user activity was not performed for ActewAGL's key information technology systems. As privileged users have access to perform actions such as changing system settings and user access without approval, the lack of monitoring of their activities increases the risk of unauthorised (including fraudulent) access to key application systems.

ActewAGL advised:

> A Privileged Access Management (PAM) System was implemented to address this audit finding. Integration with key information systems, including the in-scope systems, will be performed throughout 2019-20 financial year.

- Two users have access to both develop and implement changes to ActewAGL's financial accounting system which means these users can make changes without testing and approval. Further, there is no monitoring of changes to detect whether these users have made unauthorised changes to the system.

  To reduce the risk of unauthorised changes being made, user access for developing changes should be segregated from users who have access to implement changes and changes made to the system should be regularly reviewed.

  ActewAGL advised:

  > Segregating user access to developing changes from implementing changes in ActewAGL's financial accounting system is not feasible due to personnel constraints, however a process has been implemented to periodically review a sample of changes to the financial accounting system.

- The electronic funds transfer file generated from the payroll system for upload into electronic banking platform to process payroll payments was stored in a restricted network directory location which was accessible to eighteen employees who did not require access. Management subsequently removed the access of these users.

  There is a higher risk of unauthorised modifications being made to the electronic funds transfer file (and consequently fraudulent payments) when access to the network directory in which the file is stored is not restricted to only necessary users.

  ActewAGL advised:

  > Management immediately removed access for these users and has put in place a review process for ongoing monitoring of user access to the network directory where the electronic funds transfer file is stored.

ACTION

3.36 ACTION operates a public bus network including school, special needs transport, community transport, management of the ACT rural schools bus contract and charter hire buses in the ACT. ACTION is part of the Transport Canberra and City Services Directorate but is a separate entity for financial reporting purposes.

Summary

- The Audit Office issued an **unmodified auditor's report** on ACTION's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- ACTION's net cost of services ($136 million) aligned with the budgeted cost ($133 million).
- Capital injections were $36 million or 68 percent lower than budgeted ($53 million) mainly due to delays with bus procurement and the new bus depot at Woden.
- In 2018-19, ACTION resolved one previously reported audit finding from 2014-15 relating to the reconciliation of cash fares collected by bus drivers. One audit finding from 2017-18 relating to the review of salary reports was not resolved.
- One new audit finding was identified in 2018-19 relating to the reconciliation of the MyWay system with the bank account and ORACLE.

Financial results

Table 3-8 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(166)	(163)	(160)
Income	30	30	31
Net cost of services	**(136)**	**(133)**	**(129)**
Government contributions	122	120	113
Other gains from assets received	-	-	12
Operating deficit	**(14)**	**(13)**	**(4)**
Capital injections	**17**	**53**	**16**

3.37 ACTION's expenses mainly consist of employee and bus operating costs, including fuel, maintenance and insurance costs.

3.38 ACTION's income is primarily from fares charged to people travelling on the bus network.

3.39 ACTION's net cost of services ($136 million) aligned with the budgeted cost ($133 million).

3.40 Government contributions ($122 million) was consistent with the budgeted amount ($120 million).

3.41 Capital injections were $36 million or 68 percent lower than budgeted ($53 million) mainly due to a delay in bus procurement to allow time to consider buses that use alternative fuels and construction of the new bus depot at Woden being transferred to the Transport Canberra and City Services Directorate for project completion.

Audit findings

Table 3-9 Status of audit findings

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

3.42 ACTION resolved one previously reported audit finding first reported in 2014-15, by performing reconciliations between the cash deposited by bus drivers in the cash counting machines and the cash fares recorded in ACTION's bus ticketing system (MyWay) in a timely manner. This reduces the risk of errors or fraud in reconciliations not being promptly identified, investigated and resolved.

3.43 One previously reported audit finding from 2017-18 remained not resolved as ACTION did not always perform reviews of salary reports in a timely manner or retain the evidence of these reviews. This increases the risk of incorrect or fraudulent employee payments not being detected and addressed in a timely manner.

3.44 One new audit finding was identified in 2018-19. ACTION did not always perform monthly reconciliations between the MyWay system, bank account and ORACLE in a timely manner or retain evidence of their review by an independent officer. This increases the risk that errors and irregularities in MyWay revenue will not be promptly identified and resolved.

3.45 ACTION has agreed to address all audit findings.

Canberra Health Services

3.46 As a result of *Administrative Arrangement 2018 (No.2)*, on 1 October 2018 the former Health Directorate was separated into two directorates, Canberra Health Services and the ACT Health Directorate. The former Health Directorate was renamed Canberra Health Services and the ACT Health Directorate was established.

3.47 Canberra Health Services (the Directorate) provides public hospital, clinical and medical services to residents of the ACT and the surrounding region. It is primarily funded by money received from the ACT Local Hospital Network Directorate. Information on the ACT Health Directorate and 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 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of the Directorate's services ($204 million) was $167 million below the budgeted cost ($371 million) mainly due to the transfer of functions such as health policy and planning, regulation of public health services, and research programs to the ACT Health Directorate on 1 October 2018.
- Government contributions ($102 million) were $209 million (67 percent) below the budgeted amount ($311 million) mainly due to the transfer of functions mentioned above to the ACT Health Directorate on 1 October 2018.
- The Directorate did not draw down $48 million (39 percent) of its budgeted capital injections ($123 million). This was largely due to the:
  - transfer of some capital projects to the ACT Health Directorate on 1 October 2018; and
  - deferral of funding to 2019-20 for multiple projects to align the funding with the planned timing of the capital works.
- The Directorate partially resolved two audit findings around monthly bank reconciliations and the update of the Directorate's 'Fraud and Corruption Control Plan'.
- Two audit findings remain unresolved relating to the review of salary reports in a timely manner and the acquittal of credit card expenses.
- One new audit finding was identified in 2018-19 where purchase orders are used to approve the payment of expenses as the purchase orders were not always authorised by an officer who had the required financial delegation.

Financial results

Table 3-10 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(1 354)	(1 444)	(1 376)
Income	1 150	1 073	1 029
Net cost of services	**(204)**	**(371)**	**(347)**
Government contributions	102	311	266
Operating deficit	**(102)**	**(60)**	**(81)**
Capital injections	**75**	**123**	**103**

3.48 The 2018-19 Budget figures are for the former Health Directorate and include the budget for the functions that were transferred to the ACT Health Directorate on 1 October 2018.

3.49 The Directorate's expenses mainly consist of employee expenses, costs of medical, clinical and pharmaceutical supplies, payments to the ACT Health Directorate for computer systems support costs, contract medical and nursing staff and depreciation of assets.

3.50 Expenses ($1 354 million) were lower than budgeted ($1 444 million) by $90 million (6 percent) mainly due to lower than expected:

- grants and purchased services as the functions responsible for purchasing third-party health services for health programs from non-government organisations were transferred to the ACT Health Directorate on 1 October 2018; and
- amortisation of intangible assets (computer software) as all intangible assets were transferred to the ACT Health Directorate on 1 October 2018.

3.51 The Directorate's income largely consists of funding from the ACT Local Hospital Network Directorate for providing public hospital services in the ACT. The Directorate also earns revenue from charging fees for providing health related services (including fees for the use of public hospital facilities by private doctors as well as patient fees) and from the sale of medical and pharmaceutical supplies.

3.52 Income ($1 150 million) exceeded the budgeted amount ($1 073 million) by $77 million (7 percent) mainly from unexpected resources received free of charge from the ACT Health Directorate for computer system support costs (including software licencing and infrastructure maintenance costs), human resources and financial services.

3.53 The net cost of the Directorate's services ($204 million) was $167 million below the budgeted cost ($371 million) due to the lower than expected expenses and the higher than expected income.

3.54 Government contributions ($102 million) were $209 million (67 percent) below the budgeted amount ($311 million) mainly due to the transfer of functions such as health policy and planning, regulation of public health services, and research programs to the ACT Health Directorate on 1 October 2018 which was not anticipated in the budget.

3.55 The Directorate did not draw down $48 million (39 percent) of its budgeted capital injections ($123 million). This was largely due to the:

- transfer of some capital projects (and the associated funding) to the ACT Health Directorate on 1 October 2018; and
- deferral of funding to future years for multiple projects including the relocation and upgrade of sterilising services, infrastructure upgrades for acute aged care, and ACT Health critical asset upgrades to align the funding with the timing of the capital works.

Audit findings

Table 3-11 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
4	-	2	2	1	5

3.56 The Directorate partially resolved two audit findings (first reported in 2017-18) by:

- ensuring monthly bank reconciliations for several bank accounts for the Pathology and Patient Billing systems are performed in a timely manner. However, some of the reconciliations were not always dated or signed by the reviewing officer; and
- updating its Fraud and Corruption Control Plan. However, the updated Plan has not yet been finalised and approved.

3.57 Two audit findings remain unresolved in 2018-19 as the Directorate did not always:

- perform the review of salary reports in a timely manner or retain evidence of the review of these reports (first reported in 2016-17). This increases the risk that incorrect or fraudulent salary payments to employees will not be promptly identified and resolved; and
- complete credit card acquittals in a timely manner (first reported in 2012-13). There is a higher risk erroneous or fraudulent use of credit cards will not be promptly detected and resolved where credit card transactions are not acquitted by the card holder in a timely manner.

3.58 One new audit finding was identified in 2018-19, for a sample of payments where purchase orders were used to approve the payment, the Audit Office found the purchase orders were not always authorised by an officer who had the required financial delegation. While these transactions were properly related to the operations of the Directorate, this increases the risk of payment errors or fraud.

3.59 The Directorate has agreed to address all audit findings.

Canberra Institute of Technology

3.60 The Canberra Institute of Technology provides vocational education services to domestic and international students and training programs to organisations in the public and private sectors.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Canberra Institute of Technology's 2018 financial statements and an **unmodified report of factual findings** on its 2018 statement of performance.
- The Canberra Institute of Technology's net cost of services ($85 million) was consistent with the budgeted cost ($83 million).
- The Canberra Institute of Technology resolved the three previously reported audit findings related to its Chief Executive Financial Instructions, workpapers supporting related party disclosures and the testing of backup files for the student information system (Banner).
- One new audit finding was identified during the 2018 audit relating to workpapers supporting the statement of performance.

Financial results

Table 3-12 Key results (calendar years)

	Actual 2018 $m	Budget 2018 $m	Actual 2017 $m
Expenses	(121)	(123)	(115)
Income	36	40	35
Net cost of services	**(85)**	**(83)**	**(80)**
Government contributions	72	72	70
Operating deficit	**(13)**	**(11)**	**(10)**

3.61 Expenses mainly consist of operating expenditure such as employee, information technology and consultancy costs.

3.62 Income is primarily generated from providing education and training services.

3.63 The Canberra Institute of Technology's net cost of services ($85 million) was consistent with the budgeted cost ($83 million).

Audit findings

Table 3-13 Status of audit findings

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

3.64 The Canberra Institute of Technology resolved the three previously reported audit findings by:

- finalising the review of financial management policies and procedures that were overdue (first reported in 2015). This provides more assurance that responsibilities under the *Financial Management Act 1996* are effectively discharged by the Chief Executive Officer;
- performing detailed assessment to identify its key management personnel and document the results of this assessment (first reported in 2017). This reduces the risk of errors in the financial statements; and
- testing the restoration of the student information system (Banner) data from backups and documenting the result of this testing (first reported in 2017). This reduces the risk of data being unrecoverable and the restoration of normal operations being delayed.

3.65 One new audit finding was identified during the 2018 audit. Workpapers supporting the statement of performance did not contain sufficient information from surveys undertaken by an external service provider during the year to allow independent verification of reported results for two accountability indicators.

This increases the risk of errors in the statement of performance and delays in completing the limited assurance engagement for the statement of performance.

The Canberra Institute of Technology subsequently provided additional workpapers during the audit to allow independent verification of reported results in the statement of performance.

3.66 The Canberra Institute of Technology partially agreed with this audit finding and advised that:

> … Including where utilising external service providers, CIT agrees that as a general principle, substantiating information should be readily available to verify transactional information such as survey results, noting in particular that surveys including the transactional information, the data collection methodology and the reporting aspects were and will continue to be paperless (i.e. electronic). CIT will continue to assess matters around the access to and format of information such that the content as may be necessary for audit and other purposes, can be made available in a timely manner and in the required format.

Chief Minister, Treasury and Economic Development Directorate

3.67 The Chief Minister, Treasury and Economic Development Directorate (the Directorate) provides strategic advice, and support on policy development to the ACT Public Service. Other key functions include:

- coordinating the Territory's budget process and financial management;
- providing information and communication technology, publishing and recordkeeping, human resources, and finance services (shared services) across the ACT Government;
- collecting and managing the Territory's taxation revenue;
- managing ACT arts facilities, promoting tourism, facilitating sporting and major events;
- promoting business development and investment programs; and
- providing customer and regulatory services through Access Canberra.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Directorate's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of the Directorate's services ($363 million) was $23 million below the budgeted cost ($386 million) mainly due to lower than expected expenses and higher than anticipated income.
- Government contributions ($321 million) were $12 million below the budgeted amount ($333 million). The Directorate did not draw down appropriation for various initiatives, including information technology projects due to delays, and grants due to fewer than anticipated grant applications received.
- Two of the four previously reported audit findings were resolved by the Directorate. These findings related to the quality and timeliness of the statement of performance and the year-end reconciliation of taxes, duties and levies revenue.
- Two previously reported audit findings relating to the review of salary reports and the usefulness of accountability indicators reported in the statement of performance remained unresolved.

Financial results

Table 3-14 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses excluding assets transferred to other ACT Government agencies	(667)	(682)	(627)
Income	304	296	287
Net cost of services	**(363)**	**(386)**	**(340)**
Government contributions	321	333	303
Other gains	4	-	11
Assets transferred to other ACT Government agencies	(22)	-	(42)
Operating deficit	**(60)**	**(53)**	**(68)**

3.68 Expenses, excluding assets transferred to other ACT Government agencies, largely consist of costs of employees, consultants, contractors and professional services, information technology and office equipment, property services, repairs and maintenance and depreciation. Expenses also include grants paid to major sporting, business, industry, and tourism and event organisations.

3.69 Expenses, excluding assets transferred to other ACT Government agencies ($667 million) were $15 million below the budgeted amount ($682 million) mainly due to lower than estimated:

- information technology costs due to delays in some information technology projects;
- depreciation due to delays completing some capital works projects; and
- grants relating to the restructure fund for ACT Government agencies and grants for apprenticeships and traineeships due to fewer than anticipated grant applications received.

3.70 These were partially offset by higher employee expenses mainly resulting from salary increases under the Directorate's enterprise agreement and a higher than anticipated rate used to estimate the present value of long service leave liabilities.

3.71 Income mainly consists of amounts received from other ACT Government agencies for providing services relating to property management, information and communication technology, procurement, human resources, finance, publishing and records management and amounts received from non-ACT Government sources relating to sporting and tourism events.

3.72 Income ($304 million) exceeded the budgeted amount ($296 million) by $8 million mainly due to higher than estimated income from sporting events.

3.73 The Directorate's net cost of services ($363 million) was $23 million below the budgeted amount ($386 million) due to lower than budgeted expenses and higher than anticipated income as previously discussed.

3.74 Government contributions ($321 million) were $12 million below the budgeted amount ($333 million) mainly due to the Directorate not drawing down appropriation for various projects, including for grants and information technology projects previously discussed.

3.75 Other gains ($4 million) consisted mostly of properties transferred to the Directorate from other ACT Government agencies.

3.76 Assets transferred to other ACT Government agencies ($22 million) consisted mostly of:

- the former Canberra Visitors Centre and Belconnen Health Centre to the Suburban Land Agency; and
- the Parkwood Recycling Estate to the Transport Canberra and City Services Directorate.

3.77 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 3-15 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
4	(2)	-	2	-	2

3.78 Two of the four previously reported audit findings were resolved, two remained not resolved. No new audit findings were identified during the 2018-19 audit.

3.79 The Directorate resolved two audit findings by:

- improving the explanatory information in its statement of performance on reasons for variances using terms that could be easily understood. This provides more assurance that external readers of the statement of performance will understand the performance of the Directorate in delivering its outputs.
- performing a year-end reconciliation of taxes, duties and levies revenue and having it reviewed by an independent officer. This reduces the risk of errors, irregularities (including fraud) in the financial statements.

3.80 The Directorate did not resolve one audit finding relating to the review of fortnightly salary reports that was first reported in 2013-14. Reviews of salary reports were not always conducted 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. Improvements, however, were made by the Directorate during 2018-19 following the implementation of a new electronic review process. The Directorate has agreed to address this audit finding.

3.81 The Directorate did not resolve one audit finding relating to the usefulness of accountability indicators included in the statement of performance that was first reported in 2017-18. Some of the Directorate's accountability indicators simply measure inputs (routine activities performed), rather than measuring the effectiveness and efficiency (outcomes) of its key outputs. This means that the Directorate's statement of performance may not provide readers with useful information about the Directorate's performance.

Although the Directorate reviewed its accountability indicators in 2018-19 and changed some accountability indicators in the 2019-20 Budget Papers, there continues to be some accountability indicators that may not provide readers with useful information about the Directorate's performance. The Directorate advised that it will comprehensively review its accountability indicators during the development of the 2020-21 Budget with a view to addressing this issue.

Community Services Directorate

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

Summary

- The Audit Office issued an **unmodified auditor's report** on Directorate's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of the Directorate's services ($272 million) and Government contributions ($267 million) were consistent with the budgeted amounts.
- The Directorate resolved two previously reported audit findings relating to the timely review of salary reports and developing a method to measure a result for the accountability indicator 'Coordinate Connect and Participate Expo – Number of people attending'.

Financial results

Table 3-16 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(279)	(274)	(263)
Income	7	3	9
Net cost of services	**(272)**	**(271)**	**(254)**
Government contributions	267	269	253
Operating deficit	**(5)**	**(2)**	**(1)**

3.83 Expenses mainly comprise employee expenses, administrative costs (i.e. rent, information technology, legal costs and contractor and consultant costs), payments to the Commonwealth Government for the National Disability Insurance Scheme (NDIS), and payments to non-government organisations for services such as out-of-home care for children and child protection programs.

3.84 Expenses ($279 million) exceeded the budgeted amount ($274 million) by $5 million. This was mainly due to higher than estimated employee expenses as a result of a higher than expected rate used to estimate the present value of future annual and long service leave payments.

3.85 Income mainly includes:

- resources received free of charge from other ACT Government entities for legal services;
- rental income from Affordable Rental Scheme properties relating to housing needs of older and low income Canberrans and hire income generated from the National Multicultural Festival;
- grants from the Commonwealth Government and the ACT Government to fund various programs; and
- reimbursements received from non-government organisations for unspent grant funding and other operational expenses.

3.86 Income ($7 million) exceeded the budgeted amount ($3 million) by $4 million mainly due to higher than estimated resources received free of charge relating to legal services and grants from the Commonwealth Government, including grants under the National Disability Insurance Scheme Taskforce and Sector Development, the Australian Early Development Census and the National Outcome Standards for Perpetrator Interventions.

3.87 The net cost of the Directorate's services ($272 million) and Government contributions ($267 million) were consistent with the budgeted amounts.

Audit findings

Table 3-17 Status of audit findings

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

3.88 The Directorate resolved the two previously reported audit findings from 2017-18 by:

- reviewing salary reports in a timely manner. The timely review of salary reports provides the Directorate with assurance that incorrect employee payments or irregularities (including possibly fraudulent payments) will be promptly detected and investigated; and
- developing a method to measure a result for the accountability indicator 'Coordinate Connect and Participate Expo – Number of people attending' prior to the accountability indicator being included in the budget papers. Settling on a method for measuring the result of an accountability indicator reduces the risk that the result will be incorrectly measured or will be unable to be measured and of non-compliance with the *Financial Management Act 1996*.

Education Directorate

3.89 The Education Directorate (Directorate) provides public school education in the form of public preschools, primary, secondary and special schools and colleges. The Directorate also registers and regulates home education, early childhood learning centres and non-government schools.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Directorate's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of the Directorate's services ($800 million) was slightly above the budgeted cost ($782 million).
- Government contributions ($709 million) were consistent with the budgeted amount ($708 million).
- Capital injections ($90 million) exceeded the budgeted amount ($84 million) by $6 million (7 percent) mainly due to higher than anticipated public school infrastructure upgrades.
- Grants to non-government schools ($317 million) were $18 million (6 percent) higher than the budgeted amount ($299 million) mainly due to additional funding provided by the Commonwealth Government under the National Education Reform Agreement.
- The Directorate did not resolve the two previously reported audit findings relating to the review of salary reports and audit logs for its school administration system.

Financial results

Table 3-18 Key results – controlled

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(843)	(827)	(781)
Income	43	45	44
Net cost of services	**(800)**	**(782)**	**(737)**
Government contributions	709	708	662
Operating deficit	**(91)**	**(74)**	**(75)**
Capital injections	**90**	**84**	**96**

3.90 Expenses mainly consist of employee expenses, school operating costs, depreciation expenses, and supplies and services expenses including school repairs and maintenance costs.

3.91 Income consists mainly of international student tuition fees, voluntary contributions by parents to schools and funding received from the Commonwealth Government for various school programs.

3.92 The net cost of the Directorate's services ($800 million) was $18 million above the budgeted cost ($782 million) mainly due to higher than expected employee expenses of $16 million. This was mostly due to higher staff numbers to meet higher student enrolments and a greater than expected rate used to estimate the present value of long service leave liabilities.

3.93 Government contributions ($709 million) were consistent with the budgeted amount ($708 million).

3.94 Capital injections ($90 million) exceeded the budgeted amount ($84 million) by $6 million (7 percent) mainly due to higher than anticipated public school infrastructure upgrades.

Table 3-19 Key results – territorial expenses

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Grants to non-government schools	317	299	295
Other grants	1	1	1
Total expenses	**318**	**300**	**296**

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

3.95 Territorial expenses mostly consist of grants paid to non-government schools. The Directorate receives funding from the ACT Government and Commonwealth Government to provide these grants. The grants are based on the number of student enrolments to fund specific projects.

3.96 Grants paid to non-government schools ($317 million) were $18 million (6 percent) higher than the budgeted amount ($299 million) mainly due to additional funding provided by the Commonwealth Government under the National Education Reform Agreement.

Audit findings

Table 3-20 Status of audit findings

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

3.97 The Directorate did not resolve the two previously reported audit findings relating to:

- the review of salary reports which has been reported since 2013-14. Salary reports distributed to schools and business units did not always have evidence of review, or those reviews that were performed were not always conducted in a timely manner. This increases the risk that incorrect or fraudulent employee payments will not be promptly detected and addressed.

  The Directorate agreed to this audit finding and advised that it will continue to reinforce compliance in this area.

- the Directorate's school administration system (Maze), as it does not have the capability to generate audit logs showing the activities of users accessing the system and its data. The Directorate also does not have a documented policy for the review of audit logs. This increases the risk that erroneous or fraudulent changes to the school administration system and data will not be promptly detected and rectified. This audit finding was first reported in 2011-12.

  The Directorate advised that it will address this weakness as part of its replacement of the school administration system in 2019-20.

Environment, Planning and Sustainable Development Directorate

3.98 The Environment, Planning and Sustainable Development Directorate (the Directorate) is responsible for developing and implementing policies and programs that address environment protection and sustainability, climate change, nature conservation, heritage, water and energy security, sustainable urban design, sustainable transport and spatial planning.

3.99 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 the Public Housing Renewal Taskforce and land supply and policy functions including affordable housing.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Directorate's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of the Directorate's services ($138 million) was largely consistent with the budgeted costs ($141 million).
- Government contributions ($131 million) was largely consistent with the budgeted contributions ($133 million).
- The Directorate did not draw down $27 million (17 percent) of budgeted capital injections mainly due to the timing of the property purchases and subsequent demolition and remediation activities under the Loose-Fill Asbestos Scheme and the delivery of the ACT Healthy Waterways project.
- The Directorate partially resolved one previously reported audit finding relating to its arrangements for the sale and recording of rural land and did not resolve one previously reported audit finding relating to the review of salary reports in a timely manner.
- One previously reported audit finding relating to clarity of accountability indicators for two new accountability indicators was resolved. A new finding was identified in 2018-19 in relation to reporting of results for accountability indicators in accordance with the *Financial Management Act 1996*.

Financial results

Table 3-21 Key results – controlled

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(220)	(178)	(156)
Income	82	37	100
Net cost of services	**(138)**	**(141)**	**(56)**
Transfers to Government	(23)	(32)	(67)
Government contributions	131	133	122
Gains	26	31	76
Operating (deficit)/surplus	**(4)**	**(9)**	**75**
Capital injections	**126**	**153**	**223**

3.100 Expenses mainly consist of employee costs, costs of consultants and contractors used for the demolition of public housing buildings under the Public Housing Renewal Program (PHRP), feasibility studies and planning projects, repairs and maintenance, information technology and office equipment costs, office accommodation costs, and loss from the revaluation of large-scale generation certificates.

3.101 Expenses ($220 million) were higher than the budgeted cost ($178 million) by $42 million (24 percent) mainly due to a reduction in the fair value of large-scale generation certificates (intangible assets). 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 surrender these certificates to the Directorate at no cost. A downward movement in market prices of the certificates held by the Directorate resulted in higher expenses.

3.102 Income largely represents the value of large-scale generation certificates surrendered to the Directorate by the large-scale generators of electricity. Income ($82 million) exceeded the budgeted amount ($37 million) by $45 million (122 percent). This was mainly due to higher income from the renewable energy certificates from more than expected number of certificates received during the year.

3.103 The net cost of the Directorate's services ($138 million) was largely consistent with the budgeted amount ($141 million).

3.104 Government contributions ($131 million) were largely consistent with the budgeted contributions ($133 million).

3.105 Other gains of $26 million and Transfers to Government of $23 million were lower than the respective budgeted amounts of $31 million and $32 million. This was mainly due to lower than expected sale prices for remediated blocks of land under the Loose-Fill Asbestos Insulation Eradication Scheme and the associated transfer of these amounts to the Government.

3.106 The Directorate did not draw down $27 million (18 percent) of budgeted capital injections mainly due to later than anticipated timing of activities:

- for the Loose-Fill Asbestos Insulation Eradication Scheme; and
- Healthy Waterways capital works program that aims at improving the quality of water entering lakes and waterways.

Table 3-22 Key results – territorial income

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Fees and fines	17	29	17
Land revenue	21	52	18
Other	7	5	10
Total income	**45**	**86**	**45**

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

3.108 Fees and fines revenue ($17 million) was $12 million (41 percent) lower than the budgeted amount ($29 million) mostly due to lower than expected lease variation charges as fewer than expected applications were received for Crown lease variations.

3.109 Land revenue ($21 million) was $31 million (60 percent) lower than the budgeted amount ($52 million) due to lower than expected land sales to the Suburban Land Agency, consistent with weaker market for buyers of individual blocks.

Audit findings

Table 3-23 Status of audit findings

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

3.110 One of the three previously reported audit findings was resolved, one was partially resolved and the remaining one was not resolved.

3.111 The Directorate resolved an audit finding relating to two accountability indicators where performance targets had not been clearly defined and explained in the 2017-18 budget papers. The Directorate discontinued these two accountability indicators and defined and explained performance targets of 10 new indicators introduced in the 2018-19 budget papers.

This reduces the risk that readers of the statement of performance will not be able to understand the Directorate's performance in relation to its accountability indicators.

3.112 The Directorate partially resolved an audit finding relating to arrangements for the sale and recording of rural land sales with the Suburban Land Agency. The Directorate advised that a governance framework relating to land release and development is currently under development to address this audit finding.

3.113 The Directorate did not resolve an audit finding relating to the timely review of salary reports. Salary reports should be reviewed in a timely manner to promptly identify and correct erroneous or possible fraudulent salary payments.

The Directorate has agreed to address this audit finding.

3.114 One new audit finding was identified in 2018-19 relating to an accountability indicator where a result was not measured as required by the *Financial Management Act 1996* (FMA) in the statement of performance provided to Audit Office for review.

The Directorate subsequently reported a result for this accountability indicator as required by the FMA.

The Directorate agreed with audit recommendations to:

- report results in the statement of performance to reflect the actual performance of the Directorate; and
- review the reported results of its accountability indicators to identify the risk of not measuring a result under the FMA before submitting its statement of performance for review by the Audit Office.

Housing ACT

3.115 Housing ACT provides secure and affordable housing that addresses 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 market through a range of programs. This includes managing arrangements with organisations 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 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of Housing ACT's services ($105 million) was $7 million (7 percent) higher than the budgeted cost ($98 million) due mainly to higher than anticipated expenses.
- The value of Housing ACT's property portfolio at 30 June 2019 ($5 430 million) exceeded the value at 30 June 2018 ($5 231 million) by $199 million (4 percent) mainly due to an upward revaluation of land.
- Housing ACT resolved two of the three previously reported audit findings and partially resolved the remaining finding. The findings resolved related to review of salary reports and disclosing the impact of accounting standards issued but not yet effective. The partially resolved audit finding related to the timeliness of preparation and review of monthly reconciliations between rent received from public housing tenants and its financial management information system.
- Two new audit findings identified in 2018-19 related to the processes for identifying and disclosing related party transactions, and the financial delegation being inconsistent with a new payment approval process introduced by Housing ACT in the tenant management system.

Financial results

Table 3-24 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(206)	(195)	(189)
Income	99	96	101
Gain from the sale of properties	2	1	4
Net cost of services	**(105)**	**(98)**	**(84)**
Government contributions	49	49	47
Other gains	-	-	1
Losses from transferring assets to other entities	(3)	(2)	(3)
Operating deficit	**(59)**	**(51)**	**(39)**

3.116 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 risk of becoming homeless. Property management costs include repairs and maintenance costs, water and sewerage charges, rates and depreciation of public housing properties.

Expenses ($206 million) were higher than the budget ($195 million) by $11 million (6 percent) mainly due to higher than expected depreciation expenses as more than the expected number of public housing properties were transferred to the Suburban Land Agency under the Public Housing Renewal Program (PHRP). When public housing properties are identified for transfer under the PHRP, the depreciation for the buildings is accelerated to reflect their remaining shorter useful life as they are no longer available for public housing purposes.

3.117 Income consists mainly of rent received from public housing tenants. Income ($99 million) slightly exceeded the budgeted amount ($96 million) mainly as a result of insurance recoveries on settlement of public liability claims, which was not anticipated in the budget.

3.118 The net cost of Housing ACT’s services ($105 million) was $7 million (7 percent) higher than the budgeted cost ($98 million) due to the higher than anticipated expenses.

Property Portfolio

Table 3-25 Number and value of land and dwellings

At 30 June	Actual 2017	Actual 2018	Actual 2019
Number of land parcels – Note 1	6 880	6 876	6 877
Land value ($m)	**$3 530**	**$3 721**	**$3 864**
Number of dwellings – Note 1	11 821	11 903	11 582
Dwellings value ($m)	**$1 445**	**$1 510**	**$1 566**
Total value of land and dwellings ($m)	**$4 975**	**$5 231**	**$5 430**

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.

3.119 The value of Housing ACT's property portfolio at 30 June 2019 ($5 430 million) exceeded the value at 30 June 2018 ($5 231 million) by $199 million (4 percent) mainly due to an upward revaluation of land in 2018-19.

Audit findings

Table 3-26 Status of audit findings

Previously Reported	Resolved	Partially Resolved	New	Balance
3	(2)	1	2	3

3.120 Housing ACT resolved two of the three previously reported audit findings by:

- retaining evidence of the review of salary reports. This reduces the risk that incorrect or possible fraudulent salary payments to employees will not be promptly detected and addressed; and
- performing an assessment of applying accounting standards issued but not yet effective, and disclosing its material impact in the financial statements. This reduces the risk that Housing ACT's financial statements will not comply with Australian Accounting Standards.

3.121 One audit finding relating to monthly reconciliations between rent received from public housing tenants and its financial management information system was partially resolved by preparing and reviewing most reconciliations on a timely basis. However, some reconciliations were not reviewed on a timely basis. This increases the risk that errors and irregularities (including fraud) in revenue records will not be identified and resolved in a timely manner.

3.122 Two new audit findings identified in 2018-19 related to Housing ACT's:

- 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 Housing ACT and its key management personnel is complete and accurate in accordance with Australian Accounting Standard AASB 124: Related Party Transactions. Housing ACT partially agreed with this audit finding and advised that it relies on key management personnel to provide information on a voluntary basis to support the disclosure in the financial statements. Housing ACT will need to explore and implement additional procedures when key management personnel do not provide written confirmations; and
- financial delegations not being updated to reflect a new payment approval process introduced in its tenant management system. The new process allows low value repairs and maintenance invoices to be approved in the system without requiring the officers listed in the financial delegations to approve them. This indicates that Housing ACT's financial delegations are not updated on a sufficiently regular basis, particularly when changes to systems occur. Housing ACT agreed-in-principle with this audit finding and advised that it may obtain professional accounting advice prior to amending the current financial delegation to ensure it is consistent with new payment approval process.

Icon Water Limited

3.123 Icon Water 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.

3.124 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 2018-19 financial reports of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited.
- Icon Water's operating profit ($87 million) was $21 million (19 percent) lower than the prior year profit ($108 million) mainly due to a decrease in water revenue and profits received from ActewAGL.
- Icon Water's share of profit from ActewAGL in 2018-19 ($88 million) decreased by $5 million (5 percent) from the prior year ($93 million).
- Dividends paid to the ACT Government in 2018-19 decreased by $23 million from $94 million in 2017-18 to $71 million in 2018-19.
- Icon Water was in a $304 million short-term liability position at 30 June 2019 compared to a $9 million net short-term asset position at 30 June 2018. This weaker position is mainly due to $299 million of borrowings maturing within 12 months (i.e. before 30 June 2020). Icon Water plans to refinance these borrowings in 2019-20.
- Icon Water resolved the one audit finding reported last year relating to controls over manual journals entered into Icon Water's accounting system.
- No new audit findings were identified in 2018-19.

Financial results

Table 3-27 Key results

	Actual 2018-19 $m	Actual 2017-18 $m
Revenue excluding share of profit from ActewAGL	343	362
Share of profit from ActewAGL	88	93
Revenue	**431**	**455**
Expenses	(303)	(300)
Operating profit before income tax expense	**128**	**155**
Income tax expense	(41)	(47)
Operating profit	**87**	**108**
Dividends paid to the ACT Government	**71**	**94**

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

3.125 Revenue consists mainly of water supply and sewerage charges and Icon Water's share of profit from ActewAGL. Revenue excluding Icon Water's share of profit from ActewAGL ($343 million) was $19 million (5 percent) lower than the prior year amount ($362 million). This was mainly due to a decrease in water revenue from a decrease in charges in accordance with the Independent Competition and Regulatory Commission pricing schedule for 2018-19.

3.126 Icon Water's share of profit from ActewAGL in 2018-19 ($88 million) decreased by $5 million (5 percent) from the prior year ($93 million).

3.127 Expenses largely consist of business operating costs, interest costs incurred on borrowings, employee expenses and depreciation. Total expenses ($303 million) were slightly higher than the prior year amount ($300 million) mainly as a result of:

- depreciation ($61 million) being $12 million (24 percent) higher than the prior year amount ($49 million) mainly due to an upward revaluation of water network assets in 2017-18; which was mostly offset by
- interest costs ($61 million) being $11 million (15 percent) lower than the prior year ($72 million) mainly due to lower interest rates on borrowings.

3.128 Income tax expense ($41 million) was lower than the prior year expense ($47 million) by $6 million (13 percent) due to lower taxable profits.

3.129 Icon Water's operating profit ($87 million) was $21 million (19 percent) lower than the prior year profit ($108 million) mainly due to a decrease in revenue as previously discussed.

3.130 Dividends paid to the ACT Government decreased by $23 million (24 percent) from $94 million in 2017-18 to $71 million in 2018-19.

Financial position

Table 3-28 Net short-term assets/(liabilities)

At 30 June	Actual 2018-19 $m	Actual 2017-18 $m
Short-term assets	129	137
Short-term liabilities including dividend payable to the ACT Government	(433)	(128)
Net short-term (liabilities)/assets	**(304)**	**9**
Ratio of short-term assets to short-term liabilities	**0.3 to 1**	**1.1 to 1**

3.131 Icon Water's short-term financial position at 30 June 2019 (net short-term liabilities of $304 million) was much weaker than the position at 30 June 2018 (net short-term assets of $9 million). This is mainly due to a medium-term borrowing ($215 million) and a short-term borrowing ($84 million) maturing within 12 months (i.e. before 30 June 2020). Icon Water plans to refinance these borrowings with the Territory Banking Account in 2019-20.

Audit findings

Table 3-29 Status of audit findings

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

3.132 Icon Water resolved the one audit finding reported last year by implementing arrangements to ensure that all manual journals are reviewed and approved by an individual other than the person who created the journal prior to entry into Icon Water's accounting system. This reduces the risk of errors in, or fraudulent manipulation of, financial records supporting the financial reports.

3.133 No new audit findings were identified in 2018-19.

Justice and Community Safety Directorate

3.134 The Justice and Community Safety Directorate (the Directorate) provides courts, corrections, justice, legal, emergency and policing services.

3.135 Independent statutory offices in the Directorate include the, Office of ACT Human Rights Commission, Office of the Inspector of Correctional Services, ACT Solicitor-General, Principal Registrar, and Director of Public Prosecutions.

3.136 ACT Policing services provided by the Australian Federal Police are paid through the Directorate's territorial operations.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Directorate's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of the Directorate's services ($330 million) was slightly below the budgeted cost ($346 million).
- Payments to the Australian Federal Police for policing services ($167 million) aligned with the budgeted amount ($167 million).
- At 30 June 2019, the Directorate had $434 million in commitments relating to the public-private partnership with a private sector consortium (Juris Partnership) for construction of the new ACT Courts and Tribunal facilities compared to $691 million at 30 June 2018. This reduction mainly relates to the completion of Stage 1 of the facilities in October 2018. Finance lease liabilities are now recorded in the Directorate's balance sheet for Stage 1 of the facilities.
- The Directorate resolved three of the four previously reported audit findings. The resolved findings related to the review of salary reports, the reconciliation of daily takings of court fees and fines, and the financial reporting requirements for the public-private partnership.
- One previously reported audit finding relating to bank signatories was not resolved.

Financial results

Table 3-30 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(364)	(374)	(336)
Income excluding gains from assets received	34	28	35
Net cost of services	**(330)**	**(346)**	**(301)**
Government contributions	299	310	268
Gain from assets received	-	-	2
Operating deficit	**(31)**	**(36)**	**(31)**
Capital injections	**23**	**24**	**25**

3.137 Expenses mostly consist of employee expenses and supplies and services costs associated with the provision of justice services, corrective services, courts and tribunal, and emergency services.

3.138 Income mainly comprises fees received for legal and emergency services (e.g. providing ambulance transport and fire protection services), and cost recoveries.

3.139 The net cost of the Directorate's services ($330 million) was $16 million below the budgeted cost ($346 million) due to slightly lower than expected expenses and slightly higher than expected income.

3.140 Government contributions ($299 million) were $11 million below the budgeted amount ($310 million), mainly reflecting undrawn appropriation as a result of:

- delays in completing construction of the ACT Courts and Tribunal's public-private partnership project; and
- the conclusion of retrial of Mr David Eastman.

Table 3-31 Key results – territorial expenses

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Payments to the Australian Federal Police (AFP) – **Note 1**	167	167	159
Other expenses	21	19	20
Total expenses	**188**	**186**	**179**

Source: The breakdown of budget information was provided by the Justice and Community Safety Directorate.

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

3.141 Territorial expenses consist mainly of payments to the Australian Federal Police to provide policing services. Payments to the Australian Federal Police ($167 million) aligned with the budgeted amount ($167 million).

Table 3-32 ACT Courts and Tribunal Project – Public-Private Partnership Commitments

	Finance Lease Commitments		Capital Commitments		Operating Commitments		Total (excluding GST)	
	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m
Within one year	4	8	-	-	6	4	10	12
Later than one year but not later than five years	19	60	6	5	27	26	52	91
Later than five years	92	300	113	114	167	174	372	588
Total Public Private Partnership Commitments	**115**	**368**	**119**	**119**	**200**	**204**	**434**	**691**

Source: Note 28: 'Commitments' to the Directorate's 2018-19 financial statements.

3.142 At 30 June 2019, the Directorate had $434 million in commitments for the public-private partnership with a private sector consortium (Juris Partnership) to design, construct, operate, maintain and finance the new ACT Courts and Tribunal facilities compared to $691 million at 30 June 2018. All commitments are exclusive of GST.

3.143 The reduction in total commitments from the prior year mainly reflects lower finance lease commitments following the completion of Stage 1 of the facilities in October 2018. Finance lease liabilities for Stage 1 are now recorded in the Directorate's balance sheet.

Audit findings

Table 3-33 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
4	(3)	-	1	-	1

3.144 The Directorate resolved three of the four previously reported audit findings and did not resolve one audit finding.

3.145 The Directorate resolved three previously reported audit findings by:

- performing reviews of salary reports in a timely manner. This reduces the risk of erroneous or fraudulent salary payments;
- documenting the review of reconciliations for daily takings of court fees and fines to the records in the MAX revenue system by an independent officer. This reduces the risk of errors or fraud; and
- obtaining accounting advice to determine the financial reporting requirements for the public-private partnership for the new ACT Courts and Tribunal under the new Australian Accounting Standard AASB 1059: 'Service Concession Arrangements: Grantor' applicable from 1 July 2020. This reduces the risk of errors in the Directorate's financial statements.

3.146 The Directorate did not resolve one previously reported audit finding relating to bank signatories. Bank signatories are those staff members who are authorised to make payments using cheques or electronic funds transfer from the Directorate's bank accounts. Some bank signatories had not been removed in a timely manner when they were no longer employed by the Directorate. This increases the risk of fraudulent payments being made from the Directorate's bank accounts. This audit finding was first reported in 2017-18.

The Directorate has agreed to address this audit finding.

3.147 No new audit findings were identified in 2018-19.

Public Sector Workers Compensation Fund

3.148 The Territory became a licenced self-insurer for workers compensation on 1 March 2019 under the *Safety, Rehabilitation and Compensation Act 1988 (Commonwealth)* which resulted in the Territory assuming responsibility for its workers' compensation claims from the Commonwealth Government (Comcare).

3.149 The Public Sector Workers Compensation Fund (Fund) was established on 1 March 2019 under the *Public Sector Workers Compensation Fund Act 2018* to manage the Territory's workers' compensation liabilities and associated claims payments.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Fund's financial statements, and an **unmodified limited assurance report** on its statement of performance, for the period from 1 March 2019 to 30 June 2019.
- The Fund incurred an operating deficit of $11 million for the period 1 March 2019 to 30 June 2019. This was largely due to claims expenses resulting from an increase in workers' compensation claim liabilities exceeding the income from the workers' compensation premium refund for the period from 1 March 2019 to 30 June 2019.
- The Fund had sufficient assets to meet estimated workers compensation claims liabilities at 30 June 2019. This is largely dependent on the Fund receiving cash from Comcare under the transitional arrangements of the Territory's self-insurance licence.
- Two audit findings relating to internal controls and risk management arrangements were identified during the audit.

Financial results

Table 3-34 Key results

	Actual 1 Mar to 30 Jun 2019 $m
Workers' compensation premium refund	21
Other revenue	3
Income	**24**
Claims expenses	(34)
Supplies and services	(1)
Expenses	**(35)**
Operating deficit	**(11)**

3.150 As the Fund was established on 1 March 2019 there were no budget figures included in its financial statements.

3.151 Income mainly consists of a refund of the workers' compensation premium from Comcare for the period from 1 March 2019 to 30 June 2019 for ACT Government agencies whose workers' compensation claims are covered by the Fund.

3.152 Expenses mainly consist of claims expenses being payment of claims and the movement in workers' compensation claims liabilities balance during the period.

The Fund incurred an operating deficit of $11 million. This was largely due to claims expenses resulting from an increase in workers' compensation claim liabilities exceeding the income from the workers' compensation premium refund.

Financial position

Table 3-35 Net assets

At 30 June	Actual 2019 $m
Total assets	387
Total liabilities	(385)
Net assets	**2**
Ratio of total assets to total liabilities	**1 to 1**

3.153 The Fund's assets consist mostly of:

- receivables ($307 million) from Comcare. Under the transitional arrangements of the Territory's self-insurance licence, Comcare is required to transfer sufficient cash to meet the workers' compensation liabilities the Fund acquired on 1 March 2019; and
- cash ($79 million) received from Comcare under the transitional arrangements; and from the ACT Insurance Authority held for workers' compensation claims of Icon Water Limited.

3.154 The Fund's liabilities consist mostly of workers' compensation claim liabilities ($382 million). Approximately $360 million of these liabilities were acquired from Comcare on 1 March 2019.

The workers' compensation claim liabilities are valued to present value using an actuarially assessed 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 liabilities. Therefore, the rate used to calculate the present value of the liabilities has a significant impact on its estimated value. A lower discount rate increases the estimated liabilities and a higher rate decreases the estimated liabilities.

The $22 million increase in the liabilities between 1 March 2019 and 30 June 2019 was mainly due to a change in the discount rate used to estimate the present value of the liabilities.

3.155 The Fund had sufficient assets to meet its liabilities at 30 June 2019. This is largely dependent on the Fund receiving cash from Comcare under the transitional arrangements of the Territory's self-insurance licence.

Audit findings

3.156 Two audit findings were identified during the audit. The Fund:

- had not finalised financial management arrangements with the contracted claims management service provider prior to 30 June 2019. This meant that the service provider had not reported to the Fund whether the expected internal controls over payments processing had been implemented. Furthermore, an auditor had not been appointed to test and provide an opinion on whether the internal controls implemented were working effectively. This presents a higher risk of errors and irregularities (including fraud) occurring.
- was yet to perform a risk assessment and establish a risk register for its overall operations. Although the Fund performed risk assessments for activities such as procurement processes, without a risk register for its overall operations the Fund is less likely to be effectively anticipating, managing and addressing all significant risks relating to the Fund's operations.

3.157 The Fund has agreed to address these audit findings.

Suburban Land Agency

3.158 The Suburban Land Agency was established when functions of the former Land Development Agency were transferred to the Suburban Land Agency, the City Renewal Authority and the Environment, Planning and Sustainable Development Directorate on 1 July 2017 under the *City Renewal Authority and Suburban Land Agency Act 2017*.

3.159 The Suburban Land Agency is a Public Trading Enterprise. Consistent with the ACT Government's policy statement 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.

3.160 The Suburban Land Agency, on behalf of the ACT Government, develops and sells suburban residential, community, commercial and industrial land in town centres and suburbs outside 'declared urban renewal precincts'.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Suburban Land Agency's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- Land sales revenue ($484 million) was $217 million (31 percent) below the budgeted amount ($701 million) mainly due to delays in the sale of three Asset Recycling Initiative sites and single residential blocks in suburbs.
- Gross profit on land sales ($382 million) was $117 million (23 percent) below the budgeted gross profit ($499 million) mainly due to lower land sales revenue ($217 million), partially offset by lower cost of land sold ($100 million).
- Operating profit ($191 million) was $39 million (17 percent) below the budgeted amount ($230 million) mainly due to the lower gross profit on land sales ($117 million), partially offset by higher other income ($51 million).
- All three previously reported audit findings were resolved by the Suburban Land Agency and these related to the review of salary reports, the quality of statement of performance and the workpapers supporting the statement of performance.
- Three new audit findings were identified during the 2018-19 audit relating to the business continuity plan, the disclosure of going concern basis for preparing financial statements and results not measured for two accountability indicators reported in the Statement of Performance.

Financial results

Table 3-36 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Land sales revenue	484	701	390
Cost of land sold	(102)	(202)	(62)
Gross profit on land sales	**382**	**499**	**328**
Other income	62	11	8
Inventory write-down	(129)	(122)	(77)
Other expenses	(42)	(60)	(29)
Operating profit before income tax equivalents expense	**273**	**328**	**230**
Income tax equivalents expense	(82)	(98)	(69)
Operating profit	**191**	**230**	**161**

3.161 Land sales revenue ($484 million) was $217 million (31 percent) below the budgeted amount ($701 million) mainly due to lower than expected sales from:

- three Asset Recycling Initiative sites where the sale of land associated with former public housing flats at Braddon and Turner and former ACT Government building at Lyneham did not occur prior to the year-end. Under the Asset Recycling Initiative, the Suburban Land Agency is responsible for the sale of land-based assets and return the sale proceeds to the ACT Government to fund infrastructure projects; and
- declining market conditions for single residential blocks of land in the suburbs, including Taylor, Throsby, Coombs and Wright.

3.162 Cost of land sold ($102 million) was $100 million (50 percent) below the budgeted amount ($202 million) due to lower than budgeted land sales, as discussed above.

3.163 Gross profit on land sales ($382 million) was $117 million (23 percent) below the budgeted gross profit ($499 million) due to lower than budgeted land sales revenue ($217 million) partially offset by lower than budgeted cost of land sold ($100 million).

3.164 Other income ($62 million) was $51 million (464 percent) higher than the budgeted amount ($11 million). This was mainly due to higher resources received free of charge relating to land provided to the Suburban Land Agency from other ACT Government entities at 'nil' value.

3.165 Inventory write-downs ($129 million) were materially consistent with the budgeted amount ($122 million) and relate to land received from other ACT Government agencies under the Asset Recycling Initiative.

The Suburban Land Agency writes down the value of land received free of charge from other ACT Government agencies to zero to comply with Australian Accounting Standard AASB 102: 'Inventories'. Under AASB 102, land received as inventories is to be measured 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.

3.166 Other expenses ($42 million) largely consist of employee costs, costs of engaging consultants and contractors and the cost of supplies and services associated with land development activities. This was $18 million (30 percent) below the budgeted amount ($60 million) mainly due to lower than expected:

- contractor and consultant costs for pre-development activities for future estate developments; and
- selling expenses (e.g. conveyancing services, cost of holding sales events) relating to the lower amount of land sales.

3.167 Income tax equivalents expense ($82 million) was $16 million (16 percent) below the budgeted amount ($98 million) due to the lower than expected operating profit before income tax equivalents.

3.168 Operating profit ($191 million) was $39 million (17 percent) below the budgeted amount ($230 million) mainly due to the lower than expected gross profit on land sales, partially offset by higher other income ($51 million).

Audit findings

Table 3-37 Status of audit findings

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

3.169 The Suburban Land Agency resolved three previously reported audit findings from 2017-18 by:

- reviewing salary reports in a timely manner. This reduces the risk that incorrect or possible fraudulent salary payments to employees will not be promptly detected and addressed;
- improving the quality of statement of performance by reporting on all accountability indicators included in its statement of intent and by presenting the targets for accountability indicators in a manner consistent with the statement of intent. This provides assurance that the statement of performance complies with the *Financial Management Act 1996*; and

- improving timeliness and quality of workpapers supporting the statement of performance. This reduces the risk of errors in the statement of performance and the Suburban Land Agency not meeting the whole-of-government reporting timetable.

3.170 Three audit findings were identified during the 2018-19 audit relating to the Suburban Land Agency's:

- business continuity plan that was out of date and not tested for its effectiveness. This increases the risk that critical operations will not resume in the event of a disruption or disaster.

  The Suburban Land Agency agreed with this audit finding and will test and update the business continuity plan;

- inadequate workpapers and the disclosure of going concern basis for preparation of the financial statements submitted for audit. Where this assessment is not documented or the disclosure is inadequate, there is a risk that the financial statements may not comply with Australian Accounting Standard AASB 101: 'Presentation of Financial Statements'.

  The Suburban Land Agency partially agreed with this audit finding and has advised:

  > …notwithstanding this, the Agency considers the level of analysis undertaken prior to submitting the draft financial statements is appropriate. This is due to the Agency's history of profitable operations and operating within a legislative framework that provides comfort that the Agency will continue as a going concern.
  >
  > The Agency partially agreed to the audit recommendations, noting it had actioned the following recommendations while finalising its 2018-19 financial statements:
  >
  > - prepare accounting workpapers to document the assessment of the going concern basis of preparation of the financial statements; and
  > - disclose the going concern basis of preparation of the financial statements in accordance with AASB 101.

  While the Suburban Land Agency implemented the above two audit recommendations when finalising its 2018-19 financial statements, these recommendations will continue to be relevant to the Agency given its forecasted net current liability positions until 30 June 2022.

- statement of performance, where results of the following two accountability indicators were not measured as it relied on the Suburban Land Agency undertaking a staff satisfaction survey:

  - Improvement in staff engagement measured by the **annual staff satisfaction survey**
  - Improvement in lowest three indicators from previous year's **survey**

  (**bold** emphasis added)

The Suburban Land Agency has advised:

> …the decision not to measure two of the indicators was intentional…
>
> …the two indicators were not measured due to the Suburban Land Agency electing to undertake the staff survey biennially to allow sufficient time to assess the impact of implemented improvements before recommencing a new survey. Further, instead of a survey to assess the Agency's culture, a mid-year review was held with all staff, with intent to collaboratively explore opportunities to improve culture and become a more highly productive and innovative workplace.

Where the results of all accountability indicators are not measured, the Suburban Land Agency does not comply with the *Financial Management Act 1996* (FMA).

The Suburban Land Agency agreed with this audit finding to measure and report a result for all accountability indicators as required by the FMA.

Superannuation Provision Account

3.171 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*.

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

3.173 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 this scheme was closed. 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 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The operating deficit ($235 million) was lower than the budget ($251 million) by $16 million (6 percent) mainly due to a higher net gain on the fair value of investments as a result of a higher than estimated return on financial investments.
- The unfunded superannuation liability at 30 June 2019 ($7 537 million) was higher than budgeted ($3 668 million) by $3 869 million (105 percent) mainly due to the lower discount rate (1.92 percent) used to estimate the present value of the superannuation liability than the rate used to prepare the budget estimate (5 percent).
- Annual cash payments required to meet superannuation obligations are projected to increase significantly over future years, peaking at $671 million in 2043 and then reducing until fully paid. The Superannuation Provision Account will continue to rely on budget funding to meet annual cash payments for the Territory's superannuation obligations until the liability is fully funded.

Financial Results

Table 3-38 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Income	102	109	115
Net gain on the fair value of investments	206	183	242
Expenses	(543)	(543)	(520)
Operating deficit	**(235)**	**(251)**	**(163)**

3.174 Income largely consists of dividends and distributions from investments. Income ($102 million) was $7 million (6 percent) lower than budgeted ($109 million) as net dividends and distributions received on investments were lower than estimated.

3.175 The net gain in the fair value of investments ($206 million) was higher than budgeted ($183 million) by $23 million (13 percent) due to a higher than estimated return on financial investments.

3.176 Expenses mainly consist of superannuation costs associated with the estimated growth in the superannuation liability. These were consistent with the budget.

3.177 The operating deficit ($235 million) was lower than budgeted ($251 million) by $16 million (6 percent) mainly due to a higher than estimated net gain on the fair value of investments.

Actual unfunded superannuation liability

Table 3-39 Actual financial position

At 30 June	Actual 2016 $m	Actual 2017 $m	Actual 2018 $m	Actual 2019 $m	Budget 2019 $m
Financial assets – Note 1	3 447	3 720	4 000	**4 237**	4 136
Superannuation liability	(10 718)	(8 574)	(9 736)	**(11 774)**	(7 804)
Unfunded superannuation liability	**(7 271)**	**(4 854)**	**(5 736)**	**(7 537)**	**(3 668)**
Investments to superannuation liability	**0.3 to 1**	**0.4 to 1**	**0.4 to 1**	**0.4 to 1**	**0.5 to 1**

Source: Actual figures were obtained from Superannuation Provision Account's audited financial statements. Budget figures were obtained from 2018-19 Budget Papers.

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

3.178 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.

3.179 The superannuation liability is valued to present value using the Commonwealth Government bond (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 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 rate decreases the estimated superannuation liability.

3.180 The unfunded superannuation liability at 30 June 2019 ($7 537 million) was substantially higher than budgeted ($3 668 million) by $3 869 million (105 percent) mainly due to the lower discount rate (1.92 percent) used to estimate the present value of the superannuation liability than the rate used to prepare the budget estimate (5 percent).

3.181 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 (discount) rate from year to year.

3.182 The unfunded superannuation liability at 30 June 2019 ($7 537 million) increased from the unfunded position at 30 June 2018 ($5 736 million) by $1 801 million (31 percent) mainly due to the lower discount rate (1.92 percent) used to estimate the present value of the superannuation liability compared to the rate used at 30 June 2018 (3.11 percent).

3.183 The unfunded superannuation liability position has fluctuated significantly in recent years mostly due to the changes in the Commonwealth Government bond (discount) rate.

3.184 The Superannuation Provision Account advised that:

> The unfunded superannuation liability position has been volatile since 30 June 2015 due to historic low domestic interest rates. Australian Accounting Standard AASB 119 requires that the discount rate used to value defined benefit obligations for public sector funds be based on the prevailing market yield on a Commonwealth Government bond with matching (similar) duration. The actual discount rates have been lower than the long-term budget interest rate assumption (5 percent) to estimate the superannuation liability. The historical actual discounts rates since 2015 have been:

30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
3.66%	2.69%	3.51%	3.11%	1.92%

> The long-term budget interest rate assumption to estimate the superannuation liability was reduced from 6 percent to 5 percent from 1 July 2018.
>
> The superannuation liability valuation is sensitive to changes in the discount rate. The level and volatility of domestic interest rates in the future will continue to significantly impact the estimated superannuation liability valuations.

Projected unfunded superannuation liability

Table 3-40 Budgeted financial position

At 30 June	Actual 2019 $m	Budget 2020 $m	Budget 2021 $m	Budget 2022 $m	Budget 2023 $m
Financial assets – Note 1	**4 237**	4 432	4 754	5 098	5 468
Superannuation liability	**(11 774)**	(8 064)	(8 303)	(8 524)	(8 730)
Unfunded superannuation liability	**(7 537)**	**(3 632)**	**(3 549)**	**(3 426)**	**(3 262)**
Investments to superannuation liability	**0.4 to 1**	**0.5 to 1**	**0.6 to 1**	**0.6 to 1**	**0.6 to 1**

Source: Actual figures were obtained from Superannuation Provision Account's audited financial statements. Budget figures were obtained from the 2019-20 Budget Papers.

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

3.185 The unfunded superannuation liability position is estimated to decrease substantially over the forward years from $7 537 million at 30 June 2019 to $3 262 million by 30 June 2023. This is due to:

- an increase in financial assets of $1 231 million (29 percent) over the forward years from the current balance of $4 237 million to $5 468 million by 30 June 2023; and

- a reduction in the superannuation liability by $3 044 million (26 percent) from $11 774 million in the current year to $8 730 million by 30 June 2023.

3.186 For the large estimated decrease in the unfunded superannuation liability to occur over the forward years, there would need to be a significant increase in the discount rate used to estimate the superannuation liability, unless other assumptions used in the estimation were to change.

3.187 The Superannuation Provision Account advised that:

> A long-term average discount rate assumption of 5 percent is being used to estimate the superannuation liability valuation and superannuation expense projections over the 2019-20 Budget and forward years.
>
> The superannuation liability is a long-term liability and the use of an estimated long-term average discount rate assumption is appropriate.

Table 3-41 Future superannuation cash payments schedule

Year ended 30 June	Nominal terms $m
2020	290
2025	393
2031	520
2037	627
2043 (peak)	671
2050	619
2055	531
2061	402

Source: Information above was obtained from the 'Report on Actuarial Investigation as at 30 June 2018' 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).

3.188 The annual cash payments required to meet superannuation obligations are projected to increase significantly in future years, peaking at $671 million in 2043 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.

3.189 The Superannuation Provision Account will continue to rely on budget funding to meet the projected significant increase in annual cash payments for the Territory's superannuation obligations until the liability is fully funded. 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

3.190 The Transport Canberra and City Services Directorate (the Directorate) is responsible for providing Canberra's public transport and municipal services, as well as overseeing the construction and operation of the light rail project. The Directorate also operates laundry services and the Yarralumla Nursery.

Summary

- The Audit Office issued an **unmodified auditor's report** on the Directorate's 2018-19 financial statements and an **unmodified limited assurance report** on its 2018-19 statement of performance.
- The net cost of the Directorate's services ($645 million) was higher than the budgeted cost ($587 million) by $58 million (10 percent) mainly due to expensing of capital works relating to the light rail project that did not meet the recognition criteria of an asset under Australian Accounting Standards.
- Capital injections ($599 million) were $95 million or 14 percent lower than the budgeted amount ($695 million) mainly due to lower payments for capital works in progress primarily relating to delays with the light rail project.
- At 30 June 2019, the Directorate had $692 million in commitments for the public-private partnership with the Canberra Metro consortium to design, construct, operate, maintain and finance the light rail project compared to $1 649 million at 30 June 2018. The reduction from the prior year is a result of the finance lease commitments being recorded on the Directorate's balance sheet as finance lease liabilities following commencement of the light rail operations on 18 April 2019.
- The Directorate resolved four previously reported audit findings. These related to documentation supporting the results of accountability indicators included in the Directorate's statement of performance, the reviews of monthly waste management fee reconciliations, future accounting for the light rail service concession arrangement and variance explanations in the financial statements.
- One audit finding relating to the reviews of salary reports was not resolved.

Financial results

Table 3-42 Key results

	Actual 2018-19 $m	Budget 2018-19 $m	Actual 2017-18 $m
Expenses	(696)	(638)	(583)
Income	51	51	46
Net cost of services	**(645)**	**(587)**	**(537)**
Government contributions	358	391	334
Other gains including infrastructure asset transfers	51	86	105
Operating deficit	**(236)**	**(110)**	**(98)**
Capital injections	**599**	**695**	**157**

3.191 The Directorate's expenses mainly consist of depreciation of infrastructure assets, contractor and consultant expenses, repairs and maintenance costs, employee expenses and payments to ACTION for bus services.

Expenses ($696 million) exceeded the budgeted cost ($638 million) by $58 million (9 percent) mainly due to higher than expected expensing of capital works in progress which mainly related to utilities (e.g. water, gas, electricity etc) diversion for the light rail stage 1 project that did not meet the asset recognition criteria for the Directorate under the Australian Accounting Standards.

3.192 Income is mostly derived from providing laundry and linen cleaning services, collecting fees for the disposal of waste at the Territory's landfill sites and the sale of plants from Yarralumla Nursery. Income ($51 million) was consistent with the budget.

3.193 The net cost of the Directorate's services ($645 million) was higher than the budgeted cost ($587 million) by $58 million (10 percent) mainly due to higher than expected expensing of capital works in progress as explained previously.

3.194 Government contributions ($358 million) were lower than the budgeted amount ($391 million) by $33 million (8 percent). This was mainly due to the delay in completion of the light rail project and design works for light rail stage 2 ($27 million).

3.195 Other gains primarily consist of infrastructure assets (mainly roads, stormwater systems, footpaths and cycle paths) transferred to the Directorate from other ACT Government agencies and private land developers.

3.196 Other gains ($51 million) were $35 million (41 percent) lower than the budgeted amount ($86 million) mainly due to lower than anticipated assets received from the Suburban Land Agency ($13 million) and from private developers ($26 million) as the anticipated development projects were not completed by 30 June 2019.

3.197 Capital injections ($599 million) were $95 million or 14 percent lower than the budgeted amount ($695 million). This was mainly due to lower payments for capital works in progress primarily relating to deferral or delays of capital infrastructure projects. These mainly related to the light rail project, expansion of the rapid bus network and construction of the new Woden bus depot.

Table 3-43 Light Rail Project - Public Private Partnership Commitments

	Finance Lease Commitments		Operating Commitments		Total (excluding GST)	
	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m
Within one year	-	390	26	21	26	411
Later than one year but not later than five years	-	114	113	107	113	221
Later than five years	-	433	553	584	553	1 017
Total Public Private Partnership Commitments	**-**	**937**	**692**	**712**	**692**	**1 649**

Source: Note 29: 'Commitments' of the Directorate's audited 2018-19 financial statements.

3.198 At 30 June 2019, the Directorate had $692 million in commitments for the public-private partnership with the Canberra Metro consortium to design, construct, operate, maintain and finance the light rail project compared to $1 649 million at 30 June 2018.

3.199 The reduction in total commitments from the prior year is a result of the finance lease commitments being recorded on the Directorate's balance sheet as finance lease liabilities following commencement of the light rail operations on 18 April 2019.

Audit findings

Table 3-44 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
5	(4)	-	1	-	1

3.200 The Directorate resolved four previously reported audit findings by:

- retaining sufficient documentation to support the reported results for two accountability indicators in its statement of performance (first reported in 2017-18). This reduces the risk of erroneous or fraudulent reporting;

- reviewing monthly reconciliations between the waste management fees collected and the waste management fee system in a timely manner (first reported in 2016-17). This reduces the risk that errors and irregularities in revenue records will not be promptly identified, investigated and resolved;
- performing an assessment of the arrangements for the light rail project against the reporting requirements of the Australian Accounting Standard AASB 1059: 'Service Concession Arrangements: Grantor'. This reduces the risk of the Directorate's financial statements not complying with the accounting standards; and
- improving variance explanations in the Directorate's draft financial statements so that they were clear, informative and could be easily understood by the readers of the financial statements (first reported in 2015-16). This reduces the risk that the readers of the financial statements will not understand the financial results of the Directorate.

3.201 The Directorate did not resolve one audit finding relating to salary reports first reported in 2017-18 as they were not always being reviewed or reviewed in a timely manner. This increases the risk that errors or irregularities (including fraud) in the salary reports will not be promptly identified, investigated and resolved. The Directorate has agreed to address this finding in 2019-20.

3.202 No new audit findings were identified in 2018-19.

University of Canberra

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

3.204 In 2018, the University controlled:

- UCU 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.

3.205 The Audit Office audited the 2018 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
- UCU Ltd under the *Australian Charities and Not-for-profits Commission Act 2012*.

Summary

- The Audit Office issued an **unmodified auditor's report** on the 2018 financial statements of the University.
- The 2018 consolidated operating surplus ($19 million) was $17 million higher than the 2017 operating surplus ($2 million). This was mainly due to higher revenue from domestic and international student fees and revenue recorded for the fair value of assets received at no cost from the ACT Government relating to space in the University of Canberra Hospital building.
- The University had consolidated net short-term liabilities of $35 million at 31 December 2018. 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. While this is the case, it will need to continue to carefully manage its finances to meet these short-term liabilities.
- Five of the eight previously reported audit findings were resolved. Two related to the quality of financial reporting, one related to payment controls and two relate to compliance with Australian Accounting Standards.

- Two audit findings remain partially resolved related to control weaknesses over computer information systems.
- One audit finding relating to a weakness in payroll controls over the review of salary reports remains unresolved.
- One new audit finding was identified in 2018 relating to user access to payroll electronic funds transfer payment files.

Financial results

Table 3-45 Key results (calendar years)

University of Canberra Group – Note 1	**Actual 2018 $m**	**Actual 2017 $m**
Income	311	294
Expenses	(292)	(292)
Operating surplus	**19**	**2**

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

3.206 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.

Income ($311 million) exceeded the prior year amount ($294 million) by $17 million (6 percent) mainly due to:

- increased domestic and international student fees resulting from higher on-shore overseas student enrolments and an increase in fees charged; and
- recording revenue that represents the fair value of assets received at no cost from the ACT Government relating to space in the University of Canberra Hospital building.

3.207 Expenses consists mainly of employee costs, administrative expenses, and depreciation and amortisation. Expenses ($292 million) were consistent with the prior year amount ($292 million).

3.208 The University’s 2018 operating surplus ($19 million) was $17 million higher than the 2017 operating surplus ($2 million) due to higher income as discussed previously.

Financial position

Table 3-46 Net short-term liabilities (calendar years)

University of Canberra Group – Note 1 **At 31 December**	**Actual 2018 $m**	**Actual 2017 $m**
Short-term assets - Note 2	37	38
Short-term liabilities - Note 3	72	66
Net short-term liabilities	**(35)**	**(28)**
Ratio of short-term assets to short-term liabilities	**0.5 to 1**	**0.6 to 1**

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

Note 2: Short-term assets ($37 million) consist of current assets ($41 million) as presented in the Statement of Financial Position minus restricted cash and investments ($4 million) held in the University of Canberra Royal Institute of Public Administration Research Fund and WJ Weeden Post-Graduate Scholarship Trust Fund. Restricted cash and investments were subtracted from current assets as these funds cannot be used to pay liabilities.

Note 3: Short-term liabilities ($72 million) are less than current liabilities ($83 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.

3.209 At 31 December 2018, the University's consolidated short-term liabilities ($72 million) exceeded its short-term assets ($37 million) by $35 million (95 percent). The amount by which short-term liabilities exceeded short-term assets increased from $28 million at 31 December 2017 to $35 million at 31 December 2018.

The University's financial statements disclose that the University can meet its short-term liabilities using undrawn borrowing facilities with banks, funding provided by the Commonwealth Government and other university related funding. While this is the case, the net short-term liability position means that the University will need to continue to carefully manage its finances to meet its short-term liabilities.

Audit findings

Table 3-47 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
8	(5)	2	1	1	4

3.210 Five of the eight previously reported audit findings were resolved, two were partially resolved and one was not resolved. One new audit finding was identified during the audit of the 2018 financial statements.

3.211 Five previously reported audit findings were resolved. In prior years, the Audit Office recommended:

- the University include more information in the Report by the Members of the University of Canberra Council (Council Report) on the challenges faced by the University, especially that of meeting short-term liabilities. The Audit Office assessed that sufficient information on these challenges is presented in the 2018 Council Report;
- the University enforce its policy of evidencing the satisfactory receipt of goods and services on all invoices by a person other than the financial delegate for payments of less than \$5 000. In 2018, all payments of less than \$5 000 examined during the audit contained sufficient evidence of the satisfactory receipt of goods and services in accordance with the University's policy;
- the financial statements of the University clearly disclose the amount of its net short-term liability position. In 2018, the Audit Office assessed that the University has adequately disclosed this information in the financial statements and Council Report; and
- the University corrected two accounting treatments to comply with Australian Accounting Standards related to the:
  - recognition of fees receivable from domestic and continuing international students; and
  - extinguishment of a financial liability and recognition of revenue for the National Rental Affordability Scheme (NRAS).

  The University has disagreed with the Audit Office's assessment of these accounting treatments in prior years. In 2018, the Audit Office has not made any recommendations for these audit findings, however, the Audit Office continues to provide details of the incorrect accounting treatments to the University to confirm that the errors arising are immaterial to the financial statements.

3.212 Two audit findings remain partially resolved. In prior years, the University:

- restricted system administrators from installing changes to their desktop computers, however other users can install changes to their desktop computers where the University has assessed that this is consistent with their roles and responsibilities and an 'acknowledgement of responsibility' form is submitted by the relevant user. This presents a risk that these other users could make unauthorised and unintended changes to key corporate computer systems;

  This finding has been reported to the University since 2006. However, the University has advised that it does not intend to impose further restrictions on other users as it considers that it has implemented adequate other controls that mitigate the risk of permitting other users to install changes to their desktop computers. The Audit Office believes that the University's other controls do not fully remove this risk; and

- implemented automated computer system controls that force system administrators to regularly change their passwords, however, these controls only apply to administrators and not to all users. Furthermore, the University has not implemented a system to check whether non-administrator users are changing their passwords every six months as required by the University's policy for passwords (ITM Policy Manual). This increases the risk of unauthorised and possibly fraudulent access to systems.

  This finding has been reported to the University since 2006. However, the University has advised that it will continue to rely on computer-enforced strong passwords to restrict access. The Audit Office considers that better management of changes to passwords is needed to prevent passwords from being discovered and to safeguard computer systems from unauthorised and possibly fraudulent access.

3.213 One previously reported audit finding relating to payroll controls for the review of fortnightly salary reports was not resolved. Since 2012, the Audit Office has reported that these reviews were not always documented or performed in a timely manner.

This presents a risk of undetected erroneous or fraudulent payments to employees. The University has partially agreed with this audit finding and has advised that it will take steps to improve this process.

3.214 One new audit finding was identified in 2018 relating to user access to payroll electronic funds transfer payment files. In particular, some users had inappropriate access to the network folder where the payment files were saved and there was no restrictions preventing changes being made to the payment files. This increases the risk of salary payment errors or fraud.

The University has agreed to address this audit finding.

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.

Auditor's reports on financial statements

An auditor's report with an unmodified audit opinion is issued where the Audit Office concludes the financial statements provide a fair representation of a reporting agency's financial performance and position in accordance with the relevant reporting and disclosure requirements.

An auditor's report with a modified audit opinion is issued where the Audit Office:

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

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

Statements of performance

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

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

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

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

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

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

Limited assurance reports on statements of performance

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

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

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

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

Materiality

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

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

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

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[4]. 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.

---

[4] Land revenue included in other economic flows is the combination of market gains on land sales and the undeveloped land value.

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 day value.

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

The following agencies are included in the Territory's financial statements[5].

ACT Audit Office

ACT Compulsory Third Party Insurance Regulator

ACT Electoral Commission

ACT Executive

ACT Gambling and Racing Commission

ACT Health Directorate

ACT Insurance Authority

ACT Local Hospital Network Directorate

ACT Public Cemeteries Authority

ACTION

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

Office of the Legislative Assembly

Public Sector Workers Compensation Fund

Public Trustee and Guardian

Suburban Land Agency

Superannuation Provision Account

[5] Note 3 on page 18 of the 2018-19 Australian Capital Territory Government Consolidated Annual Financial Statements.

Territory Banking Account

Transport Canberra and City Services Directorate

Audit reports

Reports Published in 2019-20	
Report No. 09 – 2019	2018-19 Financial Audits - Overview
Report No. 08 – 2019	Annual Report 2018-19
Reports Published in 2018-19	
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 *Human Rights Act 2004*
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
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

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