

ACT AUDITOR-GENERAL'S REPORT

**2019-20 FINANCIAL AUDITS
OVERVIEW**

REPORT NO. 9 / 2020

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ACT Audit Office

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

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

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

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

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

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The 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 '2019-20 Financial Audits – Overview' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Michael Harris
Auditor-General
27 November 2020

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

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SUMMARY

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

This report contains an overview of the results of:

- 58 financial statements audits mainly with reporting periods ending 31 December 2019 and 30 June 2020;
- 30 limited assurance engagements on statements of performance mainly with reporting periods ending 31 December 2019 and 30 June 2020; and
- one compliance audit.

The report also provides information on the Audit Office's assessment of the overall quality and timeliness of financial statements and statement of performance submitted by reporting agencies.

This is the first of the two reports on 2019-20 financial audits and will be followed by a report titled 'Financial Results and Audit Findings'.

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

Conclusions

RESULTS OF FINANCIAL STATEMENTS AUDITS

No modified auditor's reports were issued in 2019-20 as all 58 financial statements audited in 2019-20 materially complied with the relevant accounting and financial reporting requirements. They also presented a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office was high in 2019-20 with 89 percent of financial statements rated as good or satisfactory but declined from 96 percent in 2018-19. The decline in the quality of financial statements in 2019-20 reflects more changes being required to reporting agencies' financial statements during the audit process mainly due to the implementation of new Australian Accounting Standards.

All agencies provided their financial statements to the Audit Office in accordance with the whole-of-government reporting timetable except one agency which provided its financial statements within two days after the due date.

RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

No modified limited assurance reports were issued in 2019-20 as no matters were identified from the Audit Office’s limited assurance engagements for reporting agencies’ statements of performance which indicated that reported results were materially incorrect or unable to be independently verified. However, the limited assurance reports of two agencies contained an emphasis of matter paragraph indicating they did not measure the results of all accountability indicators as required by the *Financial Management Act 1996* due to the COVID-19 pandemic.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office for limited assurance remained high in 2019-20. The percentage of statements of performance rated as good or satisfactory was 93 percent in 2019-20 compared to 96 percent in 2018-19.

Reporting agencies’ compliance with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review declined from 88 percent in 2018-19 to 79 percent in 2019-20.

Key findings

RESULTS OF FINANCIAL STATEMENTS AUDITS

Paragraph

No modified auditor’s reports were issued in 2019-20 or 2018-19.	2.9
The Auditor-General concluded that all 58 financial statements audited in 2019-20 materially complied with the relevant accounting and financial reporting requirements and fairly presented the reporting agency’s financial performance and position.	2.10
An unmodified compliance auditor’s report was issued on the Public Trustee and Guardian’s compliance with the <i>Public Ancillary Fund Guidelines 2011</i> for the Capital Region Community Foundation Gift Fund.	2.11
The overall quality of financial statements submitted to the Audit Office by reporting agencies was high in 2019-20 with 89 percent (49 of 55) of the financial statements submitted for audit assessed as either good or satisfactory but declined from 96 percent (50 of 52) in 2018-19.	2.15

RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

Paragraph

No modified limited assurance reports were issued in 2019-20 or 2018-19. No matters were identified during the Audit Office's limited assurance engagements on reporting agencies' statements of performance which indicated that reported results of accountability indicators were materially incorrect or unable to be independently verified.

3.8

However, the limited assurance reports issued on the statements of performance of the Education Directorate and Housing ACT included an emphasis of matter paragraph because these reporting agencies did not measure results for one or two accountability indicators respectively as required by the *Financial Management Act 1996*. These reporting agencies advised that they were unable to measure results of these accountability indicators due to the COVID-19 pandemic.

3.9

The overall quality of statements of performance submitted to the Audit Office by reporting agencies remained high in 2019-20. The percentage of statements of performance rated as good or satisfactory in 2019-20 was slightly lower at 93 percent (28 of 30) compared to 96 percent (27 of 28) in 2018-19.

3.13

Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office declined in 2019-20 as 79 percent (23 of 29) of the agencies complied with the timetable. It was 88 percent (22 of 25) in 2018-19.

3.22

1 AUDITOR'S REPORTS AND LIMITED ASSURANCE REPORTS

- 1.1 In 2019-20, the Audit Office issued 58 auditor's reports on financial statements, 30 limited assurance reports on statements of performance and 1 compliance auditor's report. Table 1-1 below lists these reports.
- 1.2 The types of opinions issued on financial statements and statements of performance are explained in *Appendix A: Key Terms and Rating Criteria*.

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

	Auditor's Reports	Limited Assurance Reports
Territory		
Territory's Consolidated Annual Financial Statements	Unmodified	Not applicable
Directorates		
ACT Electoral Commission	Unmodified	Not applicable
ACT Executive	Unmodified	Not applicable
ACT Health Directorate	Unmodified	Unmodified
ACT Integrity Commission	Unmodified	Not applicable
ACT Local Hospital Network Directorate	Unmodified	Unmodified
Canberra Health Services	Unmodified	Unmodified
Chief Minister, Treasury and Economic Development Directorate	Unmodified	Unmodified
Community Services Directorate	Unmodified	Unmodified
Education Directorate	Unmodified	Unmodified
Environment, Planning and Sustainable Development Directorate	Unmodified	Unmodified
Housing ACT	Unmodified	Unmodified
Justice and Community Safety Directorate	Unmodified	Unmodified
Lifetime Care and Support Fund	Unmodified	Unmodified
Major Projects Canberra	Unmodified	Unmodified
Office of the Legislative Assembly	Unmodified	Not applicable
Public Sector Workers Compensation Fund	Unmodified	Unmodified
Superannuation Provision Account	Unmodified	Unmodified
Territory Banking Account	Unmodified	Unmodified
Transport Canberra and City Services Directorate	Unmodified	Unmodified
Transport Canberra Operations (formerly known as ACTION)	Unmodified	Unmodified

	Auditor's Reports	Limited Assurance Reports
Authorities		
ACT Building and Construction Industry Training Fund Authority	Unmodified	Unmodified
ACT Compulsory Third-Party Insurance Regulator	Unmodified	Unmodified
ACT Gambling and Racing Commission	Unmodified	Unmodified
ACT Insurance Authority	Unmodified	Unmodified
ACT Public Cemeteries Authority	Unmodified	Unmodified
Canberra Institute of Technology	Unmodified	Unmodified
City Renewal Authority	Unmodified	Unmodified
Cultural Facilities Corporation	Unmodified	Unmodified
Independent Competition and Regulatory Commission	Unmodified	Unmodified
Legal Aid Commission (ACT)	Unmodified	Unmodified
Long Service Leave Authority	Unmodified	Unmodified
Motor Accident Injuries Commission	Unmodified	Unmodified
Public Trustee and Guardian	Unmodified	Unmodified
Suburban Land Agency	Unmodified	Unmodified
University of Canberra	Unmodified	Not applicable
Territory-owned corporations and other companies		
CIT Solutions Pty Limited	Unmodified	Not applicable
Community Housing Canberra Limited	Unmodified	Not applicable
Icon Distribution Investments Limited	Unmodified	Not applicable
Icon Retail Investments Limited	Unmodified	Not applicable
Icon Water Limited	Unmodified	Not applicable
UCX Ltd	Unmodified	Not applicable
Joint ventures and partnerships		
ActewAGL Distribution Partnership	Unmodified	Not applicable
ActewAGL Joint Venture Special Purpose Financial Report	Unmodified	Not applicable
ActewAGL Joint Venture Summary Financial Report	Unmodified	Not applicable
ActewAGL Retail Partnership	Unmodified	Not applicable
West Belconnen Joint Venture	Unmodified	Not applicable
Other audits		
Capital Region Community Foundation Gift Fund	Unmodified	Not applicable
Capital Region Community Foundation Open Fund	Unmodified	Not applicable
Commonwealth funding under the <i>National Land Transport Act 2014</i> - Black Spot Projects	Unmodified	Not applicable

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

2 RESULTS OF FINANCIAL STATEMENTS AUDITS

Introduction

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

Overall finding

No modified auditor's reports were issued in 2019-20 as all 58 financial statements audited in 2019-20 materially complied with the relevant accounting and financial reporting requirements. They also presented a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office was high in 2019-20 with 89 percent of financial statements rated as good or satisfactory but declined from 96 percent in 2018-19. The decline in the quality of financial statements in 2019-20 reflects more changes being required to reporting agencies' financial statements during the audit process mainly due to the implementation of new Australian Accounting Standards.

All agencies provided their financial statements to the Audit Office in accordance with the whole-of-government reporting timetable except one agency which provided its financial statements within two days after the due date.

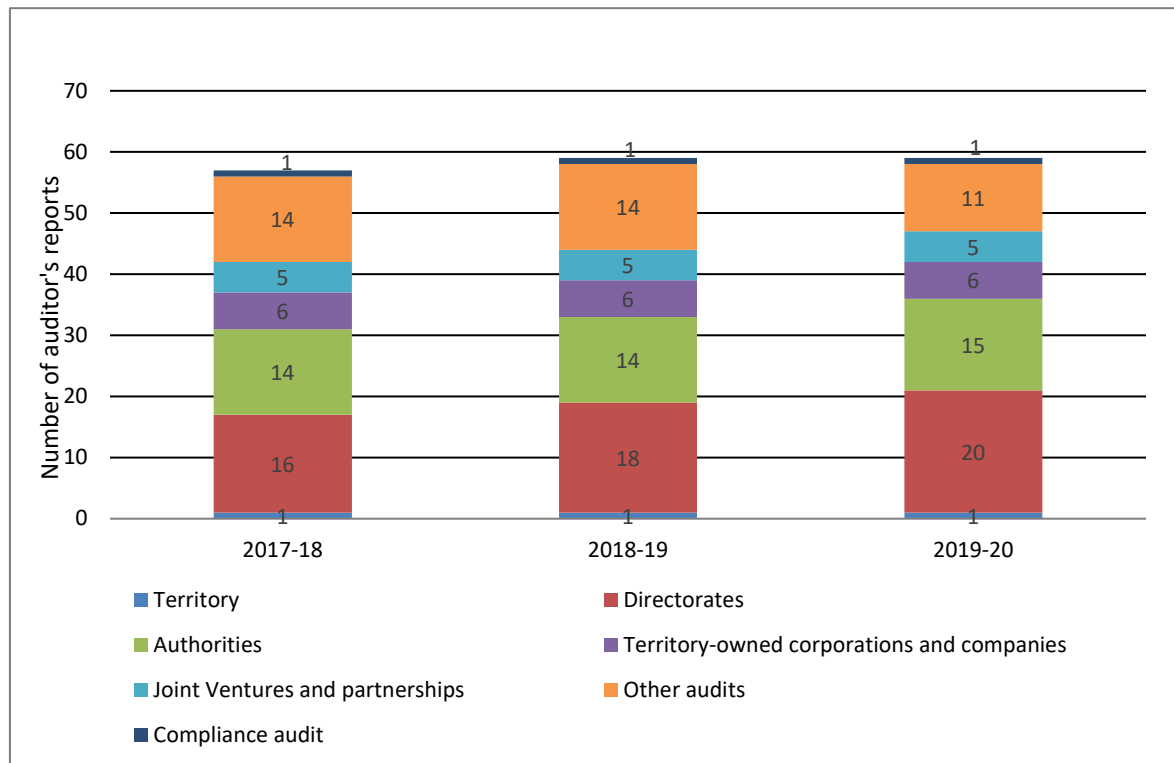
Key findings

	Paragraph
No modified auditor's reports were issued in 2019-20 or 2018-19.	2.9
The Auditor-General concluded that all 58 financial statements audited in 2019-20 materially complied with the relevant accounting and financial reporting requirements and fairly presented the reporting agency's financial performance and position.	2.10
An unmodified compliance auditor's report was issued on the Public Trustee and Guardian's compliance with the <i>Public Ancillary Fund Guidelines 2011</i> for the Capital Region Community Foundation Gift Fund.	2.11
The overall quality of financial statements submitted to the Audit Office by reporting agencies was high in 2019-20 with 89 percent (49 of 55 ¹) of the financial statements submitted for audit assessed as either good or satisfactory but declined from 96 percent (50 of 52) in 2018-19.	2.15

¹ The quality of three of the 58 reporting agencies' financial statements is not assessed as these agencies complete a form to acquit the spending of funding received from the Commonwealth Government.

Auditor's reports

Figure 2-1 Number of auditor's reports

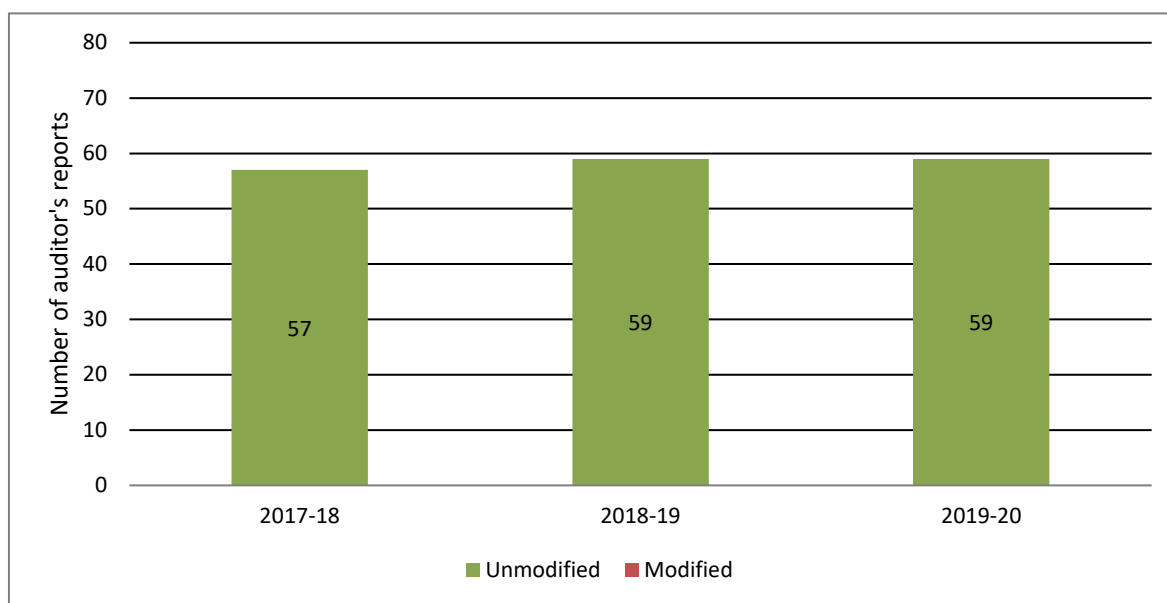


- 2.6 The Audit Office audited 58 financial statements in 2019-20 with reporting periods ending 31 December 2019 and 30 June 2020. These comprised of 20 directorates, 15 authorities, 6 Territory-owned corporations and companies, 5 joint ventures and partnerships, 11 other audits, and the Territory's consolidated annual financial statements. Table 1-1 in Chapter 1 above contains a list of the audits.
- 2.7 One compliance audit relating to the Public Trustee and Guardian's compliance with the *Public Ancillary Fund Guidelines 2011* for the Capital Region Community Foundation Gift Fund was also completed.
- 2.8 The number of auditor's reports issued in 2019-20 (59) was consistent with the number issued in 2018-19 (59). Three additional audits were required for the financial statements of:
- Major Projects Canberra and the ACT Integrity Commission which were established on 1 July 2019; and
 - Motor Accident Injuries Commission which was created on 1 February 2020 to replace the ACT Compulsory Third-Party Insurance Regulator whose operations ceased on 31 January 2020.

This was offset by:

- two Commonwealth funding acquittal audits previously performed under the *Interstate Road Transport Act 1985* that were no longer required in 2019-20; and
- the audit of the Canberra Business Development Fund for the year ended 30 June 2019 that is not yet complete as it has not provided all required information.

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



2.9 No modified auditor's reports were issued in 2019-20 or 2018-19.

2.10 The Auditor-General concluded that all 58 financial statements audited in 2019-20 materially complied with the relevant accounting and financial reporting requirements and fairly presented the reporting agency's financial performance and position.

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

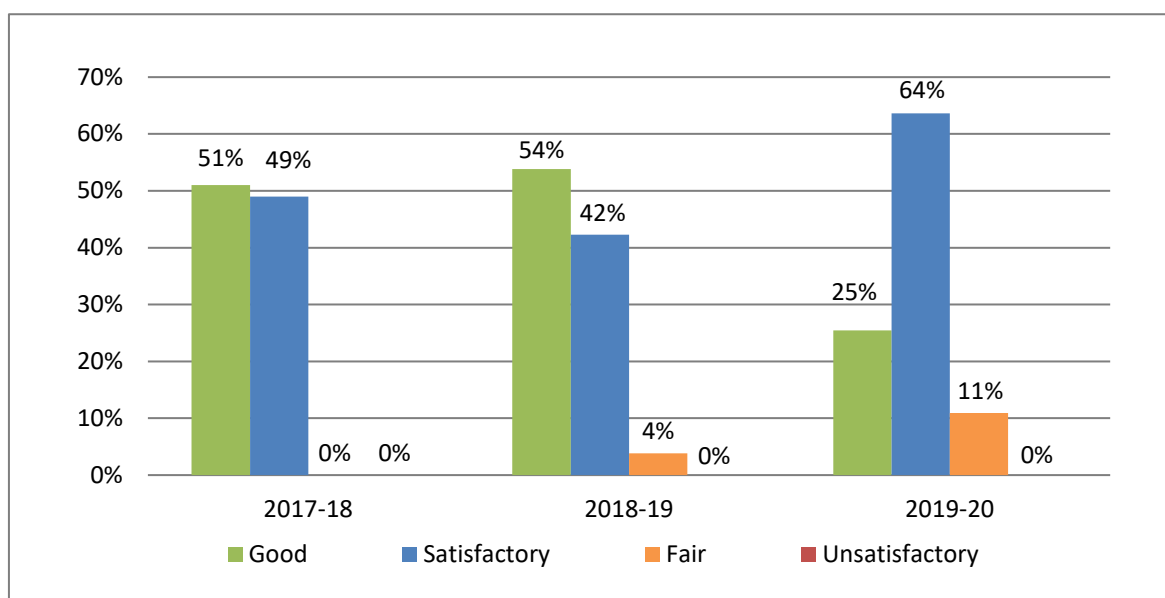
Quality of financial statements

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

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

- 2.13 The Audit Office therefore assesses the quality of the financial statements submitted for audit each year to provide an overall indication of the adequacy of the processes implemented by reporting agencies to prepare their financial statements.
- 2.14 The Audit Office used the rating criteria in *Appendix A: Key Terms and Rating Criteria* to perform this assessment.

Figure 2-3 Quality of financial statements



- 2.15 The overall quality of financial statements submitted to the Audit Office by reporting agencies was high in 2019-20 with 89 percent (49 of 55²) of the financial statements submitted for audit assessed as either good or satisfactory but declined from 96 percent (50 of 52) in 2018-19.
- 2.16 In 2019-20, the financial statements of 14 reporting agencies (25 percent) rated as good compared to 28 (54 percent) in 2018-19, these were typically those with no errors identified in reported results and only minor editorial changes required to explanatory information.
- 2.17 The financial statements of 35 reporting agencies (64 percent) rated as satisfactory, as these contained a few errors in reported results or needed improvements to disclosures.
- 2.18 The decline in quality from good to satisfactory between 2018-19 and 2019-20 reflects more changes being required to reporting agencies' financial statements during the audit process mainly due to the implementation of new Australian Accounting Standards AASB 15: 'Revenue from Contracts with Customers', AASB 1058: 'Income of Not-for-Profit Entities' and AASB 16: 'Leases'. Many reporting agencies were not fully prepared to implement these accounting standards by completing accounting assessments and financial statements disclosures prior to providing their financial statements to the Audit Office.

² The quality of three of the 58 reporting agencies' financial statements is not assessed as these agencies complete a form to acquit the spending of funding received from the Commonwealth Government.

- 2.19 The financial statements of six reporting agencies (11 percent) were rated as fair in 2019-20 compared to two (4 percent) in 2018-19, as they were of a borderline quality, being incomplete, or containing several errors in reported amounts and requiring significant improvements needed to bring to disclosures or explanatory information up to an acceptable standard.
- 2.20 No financial statements were rated as unsatisfactory in 2019-20 or 2018-19. The Audit Office will rate financial statements as unsatisfactory where there are many errors in reported amounts and disclosures. The Audit Office will also make recommendations to improve reporting for these agencies in their audit management report that is provided to the agency head or governing board and the responsible Minister.

Timeliness of financial statements

- 2.21 The Chief Minister, Treasury and Economic Development Directorate issues a whole-of-government reporting timetable each year for reporting agencies that prepare financial statements under the *Financial Management Act 1996* with a reporting period ending 30 June. The 2019-20 reporting timetable included the dates by which reporting agencies were required to submit their financial statements to the Audit Office.
- 2.22 In 2019-20, reporting agencies were provided with approximately two additional weeks compared to previous years to provide their financial statements to the Audit Office due to the operational impacts of the COVID-19 pandemic.
- 2.23 Relevant reporting agencies are required to comply with this timetable to allow the financial statements of the Territory to be prepared and audited within the timeframe required by the *Financial Management Act 1996*.
- 2.24 The reporting agencies compliance with the whole-of-government reporting timetable for providing their financial statements to the Audit Office improved from 93 percent in 2018-19 (28 of 30) to 97 percent (32 of 33³) in 2019-20. Twelve of 33 (36 percent) reporting agencies provided their financial statements before the due date.
- 2.25 The one reporting agency that did not comply with the whole-of-government reporting timetable provided its financial statements to the Audit Office within two days of the due date.

³ 33 of 58 reporting agencies are required to comply with the whole-of-government reporting timetable.

3 RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

Introduction

- 3.1 Statements of performance are prepared by ACT Government directorates and authorities to present their performance against the targets for accountability indicators disclosed in the Budget Papers (directorates) or Statements of Intent (authorities).
- 3.2 The *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019* require the Auditor-General to provide limited assurance reports on reporting agencies' statements of performance.
- 3.3 A limited assurance report provides an independent conclusion on whether any matters have come to the attention of the Audit Office that indicate the results of the accountability indicators are not fairly presented.
- 3.4 Limited assurance engagements provide a lower level of assurance than an audit of financial statements. The work performed by the Audit Office on the results of accountability indicators is limited to making inquiries with representatives of the reporting agency, performing analytical and other review procedures, and examining other available documentation.
- 3.5 The accountability indicators and their related targets are set by reporting agencies during the annual budget process. The Audit Office does not conclude on the relevance or usefulness of these accountability indicators as part of its limited assurance engagements. However, the Audit Office will report any significant concerns about the relevance or usefulness of a reporting agency's accountability indicators identified during the limited assurance engagement in an audit management report provided to the agency head or governing board and the responsible Minister.

Overall finding

No modified limited assurance reports were issued in 2019-20 as no matters were identified from the Audit Office's limited assurance engagements for reporting agencies' statements of performance which indicated that reported results were materially incorrect or unable to be independently verified. However, the limited assurance reports of two agencies contained an emphasis of matter paragraph indicating they did not measure the results of all accountability indicators as required by the *Financial Management Act 1996* due to the COVID-19 pandemic.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office for limited assurance remained high in 2019-20. The percentage of statements of performance rated as good or satisfactory was 93 percent in 2019-20 compared to 96 percent in 2018-19.

Reporting agencies' compliance with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review declined from 88 percent in 2018-19 to 79 percent in 2019-20.

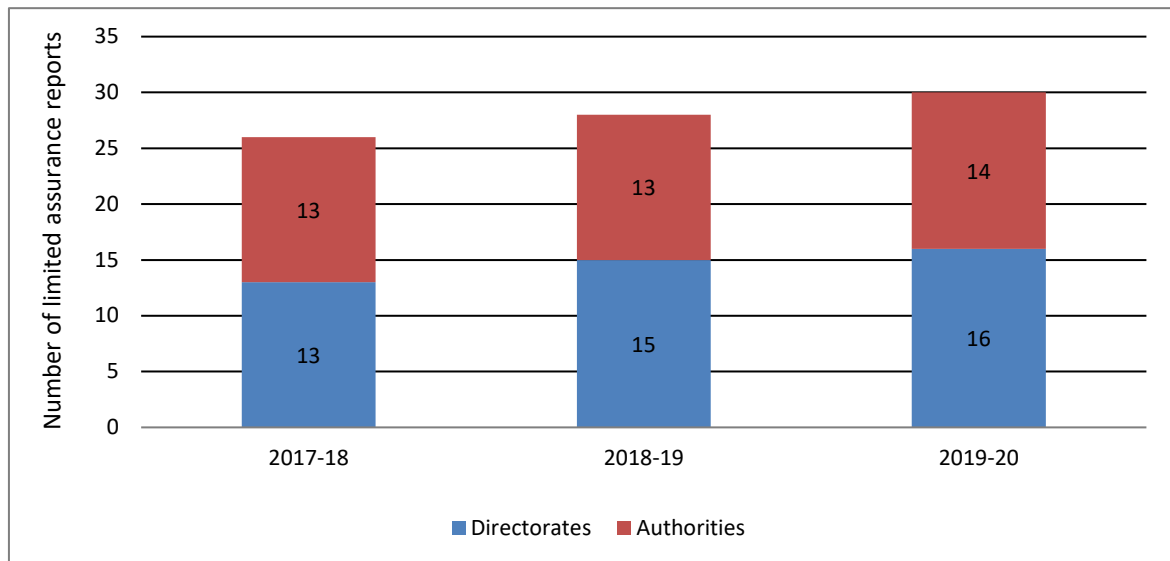
Key findings

	Paragraph
No modified limited assurance reports were issued in 2019-20 or 2018-19. No matters were identified during the Audit Office's limited assurance engagements on reporting agencies' statements of performance which indicated that reported results of accountability indicators were materially incorrect or unable to be independently verified.	3.8
However, the limited assurance reports issued on the statements of performance of the Education Directorate and Housing ACT included an emphasis of matter paragraph because these reporting agencies did not measure results for one or two accountability indicators respectively as required by the <i>Financial Management Act 1996</i> . These reporting agencies advised that they were unable to measure results of these accountability indicators due to the COVID-19 pandemic.	3.9
The overall quality of statements of performance submitted to the Audit Office by reporting agencies remained high in 2019-20. The percentage of statements of performance rated as good or satisfactory in 2019-20 was slightly lower at 93 percent (28 of 30) compared to 96 percent (27 of 28) in 2018-19.	3.13
Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office declined in 2019-20 as 79 percent (23 of 29) of the agencies complied with the timetable. It was 88 percent (22 of 25 ⁴) in 2018-19.	3.22

⁴ One of 30 reporting agencies is not required to comply with the whole-of-government reporting timetable as it prepared its statement of performance at 31 December 2019.

Limited assurance reports

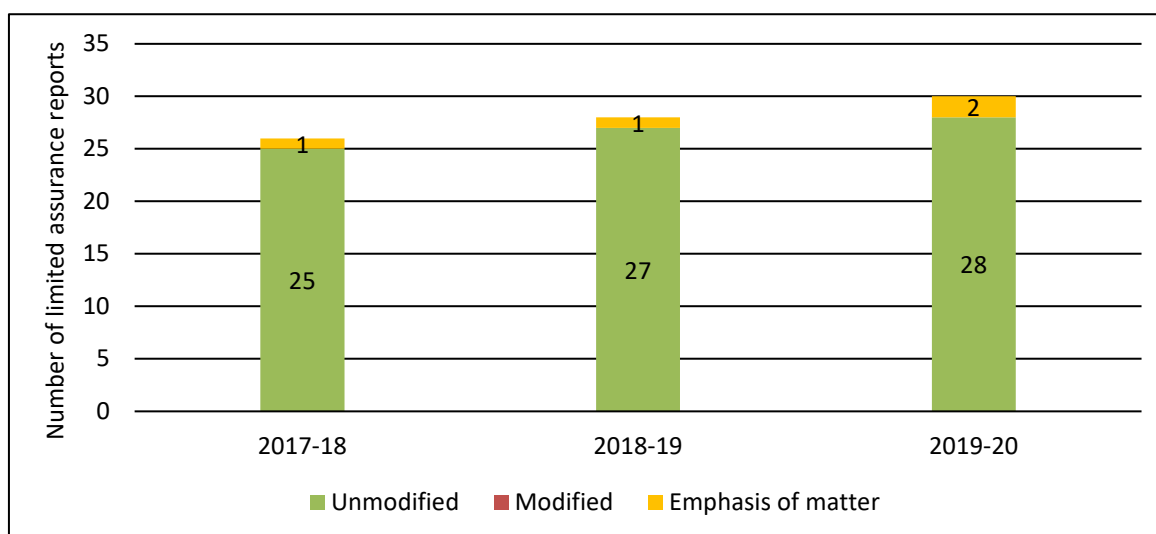
Figure 3-1 Number of limited assurance reports



3.6 In 2019-20, the Audit Office performed 30 limited assurance engagements for statements of performance comprising of 16 directorates and 14 authorities as shown in Figure 3-1 above. These agencies are listed in Table 1-1 in Chapter 1.

3.7 The number of limited assurance reports issued in 2019-20 (30) exceeded the number issued in 2018-19 (28). This was due to limited assurance reports being required for the statements of performance of:

- the Motor Accident Injuries Commission which was created on 1 February 2020 to replace ACT Compulsory Third-Party Insurance Regulator whose operations ceased on 31 January 2020; and
- Major Projects Canberra which was created on 1 July 2019.

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

3.8 No modified limited assurance reports were issued in 2019-20 or 2018-19. No matters were identified during the Audit Office's limited assurance engagements on reporting agencies' statements of performance which indicated that reported results of accountability indicators were materially incorrect or unable to be independently verified.

3.9 However, the limited assurance reports issued on the statements of performance of the Education Directorate and Housing ACT included an emphasis of matter paragraph because these reporting agencies did not measure results for one or two accountability indicators respectively as required by the *Financial Management Act 1996*. These reporting agencies advised that they were unable to measure results of these accountability indicators due to the COVID-19 pandemic.

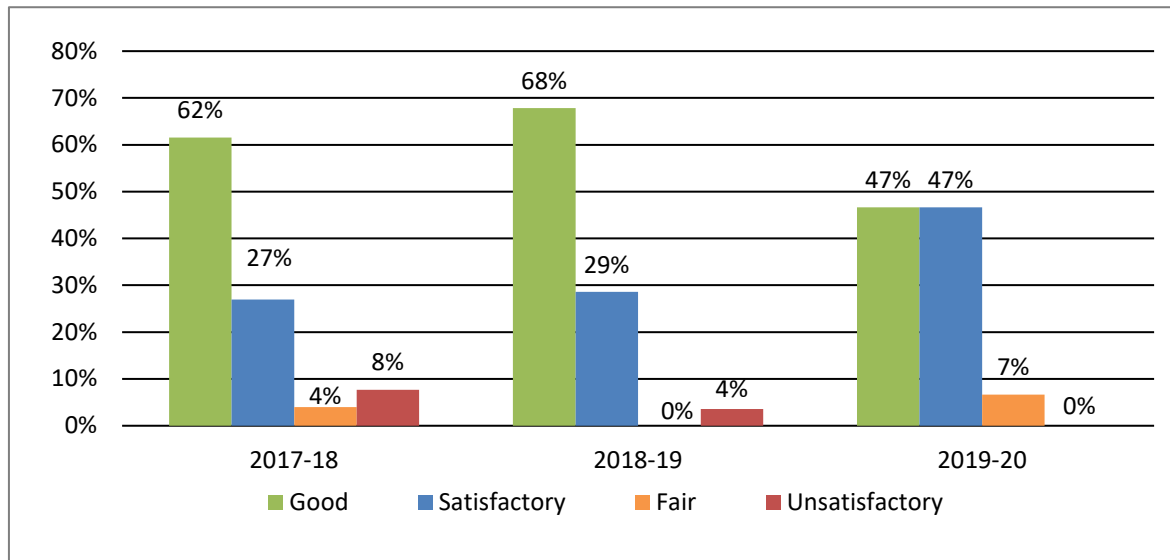
Quality of statements of performance

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

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

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

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

Figure 3-3 Quality of statements of performance

- 3.13 The overall quality of statements of performance submitted to the Audit Office by reporting agencies remained high in 2019-20. The percentage of statements of performance rated as good or satisfactory in 2019-20 was slightly lower at 93 percent (28 of 30) compared to 96 percent (27 of 28) in 2018-19.
- 3.14 The statements of performance of 14 reporting agencies (47 percent) were rated as good as no errors were identified in the reported results of accountability indicators, and minimal changes were required to disclosures.
- 3.15 The 14 reporting agencies (47 percent) whose statement of performance was rated as satisfactory typically contained a few errors in the reported results of accountability indicators or needed improvements to disclosures, such as explanations of variances from targets.
- 3.16 The reduction of good ratings and increase in satisfactory ratings in 2019-20 compared to 2018-19 reflects more changes being required to the reported results of accountability indicators and explanatory information.
- 3.17 The statements of performance of two reporting agencies (7 percent) were rated as fair in 2019-20 as they required several corrections to the reported results of accountability indicators and other information.
- 3.18 No statements of performance were rated as unsatisfactory in 2019-20 compared to one reporting agency in 2018-19. This reporting agency improved the quality of its statement of performance to a satisfactory standard in 2019-20.
- 3.19 When a reporting agency's statement of performance is rated as unsatisfactory, the Audit Office provides recommendations to improve reporting processes in the agency's audit management report that is provided to the agency head or governing board and the responsible Minister.

Timeliness of statements of performance

- 3.20 The whole-of-government reporting timetable issued by the Chief Minister, Treasury and Economic Development Directorate each year also includes the dates by which relevant reporting agencies are required to submit their statement of performance to the Audit Office.
- 3.21 The 2019-20 whole-of-government reporting timetable provided agencies with approximately two additional weeks to submit their statements of performance to the Audit Office due to the COVID-19 pandemic impacting operational activities.
- 3.22 Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office declined in 2019-20 as 79 percent (23 of 29) of the agencies complied with the timetable. It was 88 percent (22 of 25⁵) in 2018-19.
- 3.23 The six reporting agencies that did not comply with the whole-of-government reporting timetable in 2019-20 submitted their statements of performance to the Audit Office within three days after the due date.

⁵ One of 30 reporting agencies is not required to comply with the whole-of-government reporting timetable as it prepared its statement of performance at 31 December 2019.

APPENDIX A: KEY TERMS AND RATING CRITERIA

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

Financial statements

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

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

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

An auditor's report is issued on a reporting agency's financial statements after the completion of an audit in accordance with the Australian Auditing Standards.

Auditor's reports on financial statements

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

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

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

Statement of performance

A statement of performance shows the results of a reporting agency's accountability indicators (performance measures) and related performance targets. This facilitates an assessment of the reporting agency's performance in providing public services by enabling the actual performance to be compared to planned (targeted) levels of performance.

The statement of performance is also required to include explanations for significant variances between actual and planned performance for each accountability indicator.

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

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

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

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

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

Limited assurance report on statement of performance

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

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

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

Materiality

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

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

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

Not fairly presented

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

Rating criteria for quality of financial statements and statements of performance

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

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

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

Audit reports

Reports Published in 2020-21	
Report No.08 – 2020	Annual Report 2019-20
Report No.07 – 2020	Management of Care for People Living with Serious and Continuing Illness
Reports Published in 2019-20	
Report No.06 – 2020	Transfer of Workers' Compensation Arrangements from Comcare
Report No.05 – 2020	Management of Household Waste Services
Report No.04 – 2020	Residential Land Supply and Release
Report No.03 – 2020	Data Security
Report No.02 – 2020	2018-19 Financial Audits Computer Information Systems
Report No.01 – 2020	Shared Services Delivery of HR and Finance Services
Report No.11 – 2019	Maintenance of ACT Government School Infrastructure
Report No.10 – 2019	2018-19 Financial Audits – Financial Results and Audit Findings
Report No.09 – 2019	2018-19 Financial Audits - Overview
Report No.08 – 2019	Annual Report 2018-19
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 <i>Human Rights Act 2004</i>
Report No.01 – 2019	Total Facilities Management Procurement
Report No.12 – 2018	2017-18 Financial Audits – Financial Results and Audit Findings
Report No.11 – 2018	2017-18 Financial Audits - Overview
Report No.10 – 2018	Annual Report 2017-18
Report No.09 – 2018	ACT Health's management of allegations of misconduct and complaints about inappropriate workplace behaviour
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

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