

ACT AUDITOR–GENERAL'S **FINANCIAL AUDIT REPORT**

2022-23 Financial Audits - Overview

The ACT Audit Office acknowledges the Ngunnawal people as the traditional custodians of the ACT and recognises any other people or families with connection to the lands of the ACT and region.

The ACT Audit 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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Produced for the Office of the ACT Legislative Assembly by the ACT Audit Office.

Information about the ACT Audit Office and an electronic version of this annual report can be found on the website www.audit.act.gov.au.

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The support of Axiom Associates, Bellchambers Barrett, Deloitte, Ernst & Young, Parbery Consulting and RSM Australia is appreciated.

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 '2022-23 Financial Audits – Overview' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(4) of the *Auditor-General Act 1996*.

Yours sincerely



Brett Stanton
Acting Auditor-General
29 November 2023

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SUMMARY

The ACT Audit Office (Audit Office) informs the ACT Legislative Assembly and the ACT community on whether ACT Government reporting agencies' (reporting agencies) financial statements and statements of performance present a true and fair view of their financial results and operating performance, in all material respects, for the reporting period. The Audit Office does this by providing an independent auditor's report on the financial statements and a limited assurance report on the statements of performance of reporting agencies including directorates, authorities, companies, joint ventures and partnerships.

In 2022-23, the Audit Office conducted:

- 59 audits comprising 58 financial statements audits with reporting periods ending 31 December 2022 and 30 June 2023 as well as one compliance audit; and
- 30 limited assurance engagements on statements of performance with reporting periods ending 31 December 2022 and 30 June 2023.

This report provides a summary of the results of reporting agencies' financial statements audits and limited assurance engagements. It also provides the Audit Office's assessment of the overall quality and timeliness of financial statements and statements of performance submitted by reporting agencies to the Audit Office along with the accuracy and completeness of this information included in their annual reports.

This is the first of two reports on 2022-23 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 audit reports issued on financial statements and statements of performance, are explained in *Appendix A: Key Terms and Rating Criteria*.

Conclusions

RESULTS OF FINANCIAL STATEMENTS AUDITS

The Audit Office completed 59 audits in 2022-23 comprising 58 financial statements audits and 1 compliance audit.

The Audit Office issued 57 unmodified auditor's reports on financial statements prepared by reporting agencies as they materially complied with the relevant accounting and financial reporting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

One modified auditor's report with an adverse opinion was issued in 2022-23 on the financial statements of the Cemeteries and Crematoria Authority.

The overall quality of the financial statements submitted to the Audit Office in 2022-23 remained high with 86 percent (44 of 51) of the financial statements submitted rated as either good or satisfactory.

All reporting agencies provided their financial statements to the Audit Office in accordance with the whole of government reporting timetable except for one agency, which was granted an extension from Treasury to allow time for the agency to seek external accounting advice.

Overall, given the high quality of financial statements submitted to the Audit Office in a timely manner, the risk of non-compliance with the whole of government timetable and modification of the auditor's report is low.

RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

Twenty-six reporting agencies' statements of performance received an unmodified limited assurance report in 2022-23. Four reporting agencies' statements of performance received a modified limited assurance report in 2022-23. These reporting agencies were unable to measure the results for one or more of their accountability indicators as the underlying data was not available or unable to be provided for all or part of the reporting period.

The overall quality of the statements of performance provided by reporting agencies remained high with 87 percent (26 of 30) of statements of performance rated as either good or satisfactory.

All agencies submitted their statements of performance to the Audit Office in accordance with the whole of government reporting timetable.

Overall, a high quality of statements of performance were submitted to the Audit Office in a timely manner. As the four agencies that received modification of their limited assurance reports on their statements of performance had one-off issues, the risk of non-compliance with the whole of government timetable and modification of the limited assurance report is considered low.

ANNUAL REPORTS

Most reporting agencies included accurate and complete versions of their financial statements with the auditor's report, and statement of performance with the limited assurance report, in their annual report. Where errors were identified these were subsequently corrected by these reporting agencies.

Key findings

RESULTS OF FINANCIAL STATEMENTS AUDITS	Paragraph
<p>In 2022-23, the Audit Office issued 58 unmodified auditor’s reports. Fifty-seven were issued on reporting agencies’ financial statements, which were assessed in all material respects as representing a true and fair view of the financial performance and position of the reporting agencies for the reporting period and they complied with the relevant financial reporting requirements and accounting standards. One was issued on the Public Trustee and Guardian’s compliance with the <i>Taxation Administration (Public Ancillary Fund) Guidelines 2022</i> in relation to the Capital Region Community Foundation Gift Fund.</p>	2.7
<p>One modified auditor’s report with an adverse opinion was issued on the financial statements of the Cemeteries and Crematoria Authority (Authority) for 2022-23, which did not recognise, measure or disclose an estimated provision for future maintenance (liability) of approximately \$45.2 million. Also, the Authority did not recognise and disclose \$12.4 million in funds (asset) within the Perpetual Care Trust as at 30 June 2023. The impact of this was assessed as both being material and pervasive to the financial statements. Therefore, the auditor’s report stated that the financial statements did not:</p> <ul style="list-style-type: none"> • present fairly, in all material respects, the Authority’s financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and • present in accordance with the <i>Financial Management Act 1996</i> nor did they comply with Australian Accounting Standards. 	2.8
<p>The overall quality of the financial statements submitted by reporting agencies to the Audit Office for audit in 2022-23 has declined slightly, with 86 percent (44 of 51¹) of the financial statements submitted rated as either good or satisfactory, as opposed to 94 percent (48 of 51) in 2021-22.</p>	2.11
<p>Over half (27 of 51) of the reporting agencies’ financial statements were rated as good as there were no errors in the reported results and only minor or minimal changes were required to the financial statements notes and disclosures. This marks a significant improvement from the previous year when only 39 percent (20 of 51) of the reporting agencies’ financial statements were rated as good.</p>	2.12
<p>All reporting agencies provided their financial statements to the Audit Office in accordance with the whole of government reporting timetable except for one agency, which was granted an extension from Treasury to allow time for the agency to seek external accounting advice.</p>	2.19

¹ The quality of 7 of the 58 reporting agencies’ financial statements is not assessed by the Audit Office as they relate mainly to acquittal audits for which reporting agencies do not prepare a full set of financial statements.

RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS	Paragraph
Unmodified limited assurance reports were issued on 26 reporting agencies' statements of performance in 2022-23 as no matters were identified that would indicate the results for their accountability indicators in their statements of performance were not materially correct or could not be independently verified during the limited assurance engagement.	3.8
Modified limited assurance reports were issued on four reporting agencies' statements of performance in 2022-23. The ACT Health Directorate, Canberra Health Services and the Legal Aid Commission (ACT) had a qualified conclusion issued on their statement of performance while the ACT Local Hospital Network Directorate had a disclaimer of conclusion.	3.9
These reporting agencies did not measure the results for some or all of their accountability indicators for the reporting period as required by the <i>Financial Management Act 1996</i> . These agencies were unable to measure the results due to the underlying data not being available for all or part of the reporting period from the relevant information systems.	3.10
The overall quality of the statements of performance provided to the Audit Office by reporting agencies dropped in 2022-23 with 87 percent (26 of 30) of statements of performance rated as good or satisfactory compared to 97 percent (29 of 30) in the prior year.	3.14
Consistent with the prior year, all agencies submitted their statements of performance to the Audit Office in accordance with the whole of government reporting timetable.	3.21
ANNUAL REPORTS	Paragraph
All but two reporting agencies included complete and accurate versions of their audited financial statements with the auditor's report, and the statement of performance with the limited assurance report, in their annual reports.	4.5
Two reporting agencies did not include complete information in their annual report as:	4.6
<ul style="list-style-type: none"> one reporting agency did not include the limited assurance report with their statement of performance; placing instead the auditor's report on the financial statements; and one reporting agency omitted part of its audited financial statements. 	
These reporting agencies subsequently corrected their annual reports.	
Almost all reporting agencies complied with the Annual Reports Directions issued under the <i>Annual Reports (Government Agencies) Act 2004</i> to place a copy of their	4.7

annual report on the relevant website on the same day it was tabled in the ACT Legislative Assembly. Two agencies, however, were late and provided their annual report on their website within three working days after the due date.

1 AUDITOR'S REPORTS AND LIMITED ASSURANCE REPORTS

- 1.1 In 2022-23, the Audit Office issued 58 auditor's reports on financial statements, 1 compliance auditor's report and 30 limited assurance reports on statements of performance. These reports are listed in Table 1-1.
- 1.2 The types of audit reports 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	Qualified
ACT Integrity Commission	Unmodified	Not applicable
ACT Local Hospital Network Directorate	Unmodified	Disclaimer of conclusion
Canberra Health Services	Unmodified	Qualified
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	Unmodified	Unmodified

	Auditor's Reports	Limited Assurance Reports
Authorities		
ACT Building and Construction Industry Training Fund Authority	Unmodified	Unmodified
ACT Gambling and Racing Commission	Unmodified	Unmodified
ACT Insurance Authority	Unmodified	Unmodified
Cemeteries and Crematoria Authority	Modified	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	Qualified
Long Service Leave Authority	Unmodified	Unmodified
Motor Accident Injuries Commission	Unmodified	Unmodified
Office of the Work Health and Safety Commissioner (WorkSafe ACT)	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
Commonwealth funding under the <i>Local Roads and Community Infrastructure Program Guidelines</i>	Unmodified	Not applicable
Default Insurance Fund	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>Taxation Administration (Public Ancillary Fund) Guidelines 2022</i>	Unmodified	Not applicable

2 RESULTS OF FINANCIAL STATEMENTS AUDITS

Introduction

- 2.1 The Audit Office is required to provide an independent auditor's report on the financial statements of the Territory as well as all ACT Government directorates and authorities under the *Financial Management Act 1996*.
- 2.2 The Audit Office is also required to audit other reporting entities' financial statements under various legislation such as the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012* or other requirements including joint venture agreements, trust deeds and Commonwealth Government funding arrangements.
- 2.3 An unmodified auditor's report is provided by the Audit Office where, in its opinion the reporting agencies' financial statements express a true and fair view of its financial performance and financial position for the reporting period in accordance with the relevant reporting and disclosure requirements, including the Australian Accounting Standards. A modified auditor's report is issued on the reporting agencies' financial statements where the above requirements are not met.
- 2.4 The Audit Office also assesses the quality and timeliness of the financial statements submitted by reporting agencies to provide an overall picture of the effectiveness of the financial reporting arrangements implemented by agencies.

Overall findings

The Audit Office completed 59 audits in 2022-23 comprising 58 financial statements audits and 1 compliance audit.

The Audit Office issued 57 unmodified auditor's reports on financial statements prepared by reporting agencies as they materially complied with the relevant accounting and financial reporting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

One modified auditor's report with an adverse opinion was issued in 2022-23 on the financial statements of the Cemeteries and Crematoria Authority.

The overall quality of the financial statements submitted to the Audit Office in 2022-23 remained high with 86 percent (44 of 51) of the financial statements submitted rated as either good or satisfactory.

All reporting agencies provided their financial statements to the Audit Office in accordance with the whole of government reporting timetable except for one agency, which was granted an extension from Treasury to allow time for the agency to seek external accounting advice.

Overall, given the high quality of financial statements submitted to the Audit Office in a timely manner, the risk of non-compliance with the whole of government timetable and modification of the auditor's report is low.

Key findings

	Paragraph
In 2022-23, the Audit Office issued 58 unmodified auditor's reports. Fifty-seven were issued on reporting agencies' financial statements, which were assessed in all material respects as representing a true and fair view of the financial performance and position of the reporting agencies for the reporting period and they complied with the relevant financial reporting requirements and accounting standards. One was issued on the Public Trustee and Guardian's compliance with the <i>Taxation Administration (Public Ancillary Fund) Guidelines 2022</i> in relation to the Capital Region Community Foundation Gift Fund.	2.7
One modified auditor's report with an adverse opinion was issued on the financial statements of the Cemeteries and Crematoria Authority (Authority) for 2022-23, which did not recognise, measure or disclose an estimated provision for future maintenance (liability) of approximately \$45.2 million. Also, the Authority did not recognise and disclose \$12.4 million in funds (asset) within the Perpetual Care Trust as at 30 June 2023. The impact of this was assessed as both being material and pervasive to the financial statements. Therefore, the auditor's report stated that the financial statements did not: <ul style="list-style-type: none"> • present fairly, in all material respects, the Authority's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and • present in accordance with the <i>Financial Management Act 1996</i> nor did they comply with Australian Accounting Standards. 	2.8
The overall quality of the financial statements submitted by reporting agencies to the Audit Office for audit in 2022-23 has declined slightly, with 86 percent (44 of 51 ²) of the financial statements submitted rated as either good or satisfactory, as opposed to 94 percent (48 of 51) in 2021-22.	2.11
Over half (27 of 51) of the reporting agencies' financial statements were rated as good as there were no errors in the reported results and only minor or minimal changes were required to the financial statements notes and disclosures. This marks a significant improvement from the previous year when only 39 percent (20 of 51) of the reporting agencies' financial statements were rated as good.	2.12

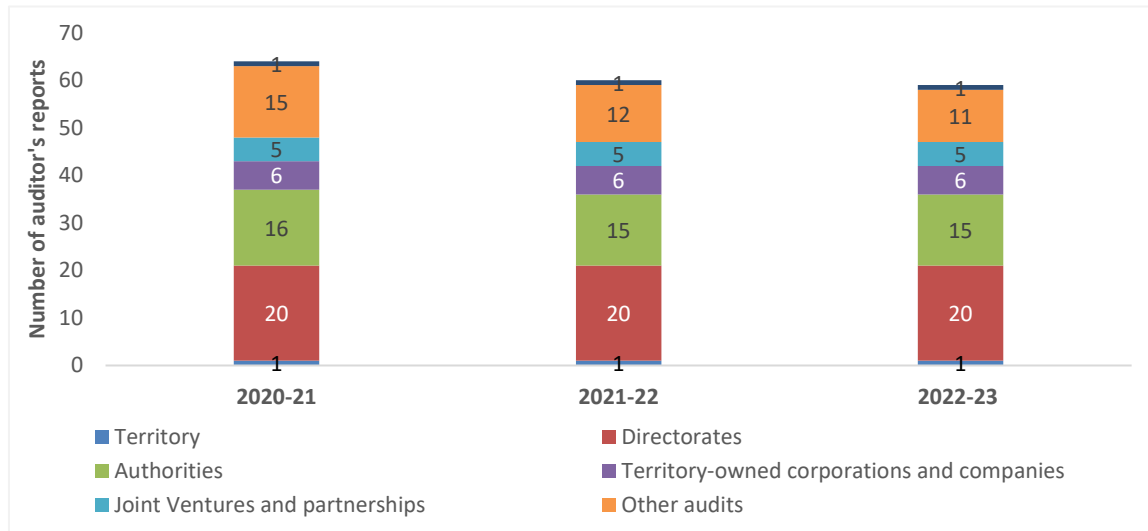
² The quality of 7 of the 58 reporting agencies' financial statements is not assessed by the Audit Office as they relate mainly to acquittal audits for which reporting agencies do not prepare a full set of financial statements.

All reporting agencies provided their financial statements to the Audit Office in accordance with the whole of government reporting timetable except for one agency, which was granted an extension from Treasury to allow time for the agency to seek external accounting advice.

2.19

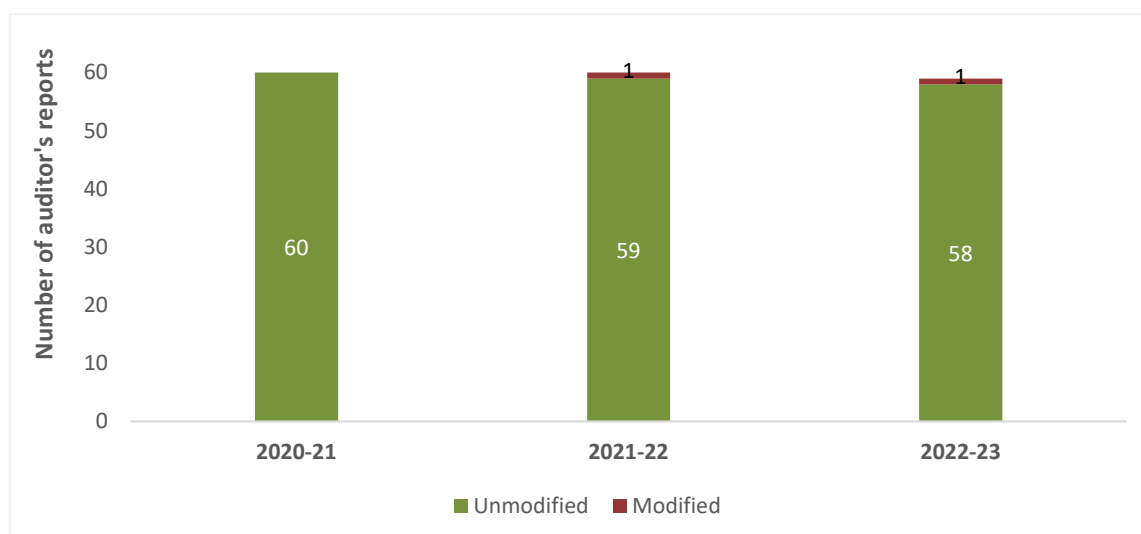
Auditor's reports

Figure 2-1 Number of auditor's reports



- 2.5 The Audit Office performed 59 audits in 2022-23 consisting of 58 financial statements audits and 1 compliance audit. These audits covered a wide range of entities comprising the Territory's consolidated annual financial statements, 20 directorates, 15 authorities, 6 territory-owned corporations and other companies, 5 joint ventures and partnerships and 11 other audits, as shown in Figure 2-1 above. Table 1-1 in Chapter 1 includes a list of all audits with agency names completed in 2022-23.
- 2.6 There was a decrease in the number of audits conducted in 2022-23 (59) compared to 2021-22 (60) due to an audit under the Commonwealth Government *Disaster Recovery Funding Arrangements 2018* not being required in 2022-23.

Figure 2-2 Types of auditor's reports



- 2.7 In 2022-23, the Audit Office issued 58 unmodified auditor's reports. Fifty-seven were issued on reporting agencies' financial statements, which were assessed in all material respects as representing a true and fair view of the financial performance and position of the reporting agencies for the reporting period and they complied with the relevant financial reporting requirements and accounting standards. One was issued on the Public Trustee and Guardian's compliance with the *Taxation Administration (Public Ancillary Fund) Guidelines 2022* in relation to the Capital Region Community Foundation Gift Fund.
- 2.8 One modified auditor's report with an adverse opinion was issued on the financial statements of the Cemeteries and Crematoria Authority (Authority) for 2022-23, which did not recognise, measure or disclose an estimated provision for future maintenance (liability) of approximately \$45.2 million. Also, the Authority did not recognise and disclose \$12.4 million in funds (asset) within the Perpetual Care Trust as at 30 June 2023. The impact of this was assessed as both being material and pervasive to the financial statements. Therefore, the auditor's report stated that the financial statements did not:
- present fairly, in all material respects, the Authority's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and
 - present in accordance with the *Financial Management Act 1996* nor did they comply with Australian Accounting Standards.

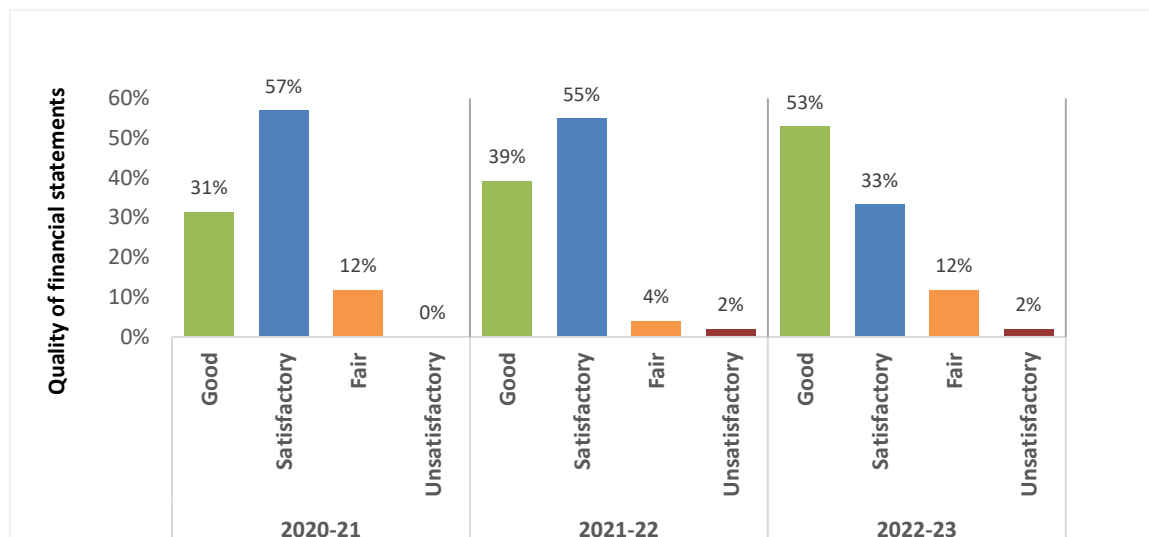
Quality of financial statements

2.9 An unmodified auditor’s report may be provided on the financial statements where the Audit Office concludes they fairly present a true and accurate view of the financial results of the reporting agency for the reporting period. However, as the financial statements are often changed during the audit process, an unmodified auditor’s report does not mean the:

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

2.10 The Audit Office uses the rating criteria in *Appendix A: Key Terms and Rating Criteria*, to perform an assessment of the quality of the financial statements and effectiveness of the processes used by reporting agencies to prepare their financial statements.

Figure 2-3 Quality of financial statements



2.11 The overall quality of the financial statements submitted by reporting agencies to the Audit Office for audit in 2022-23 has declined slightly, with 86 percent (44 of 51³) of the financial statements submitted rated as either good or satisfactory, as opposed to 94 percent (48 of 51) in 2021-22.

2.12 Over half (27 of 51) of the reporting agencies’ financial statements were rated as good as there were no errors in the reported results and only minor or minimal changes were required to the financial statements notes and disclosures. This marks a significant improvement from the previous year when only 39 percent (20 of 51) of the reporting agencies’ financial statements were rated as good.

³ The quality of 7 of the 58 reporting agencies’ financial statements is not assessed by the Audit Office as they relate mainly to acquittal audits for which reporting agencies do not prepare a full set of financial statements.

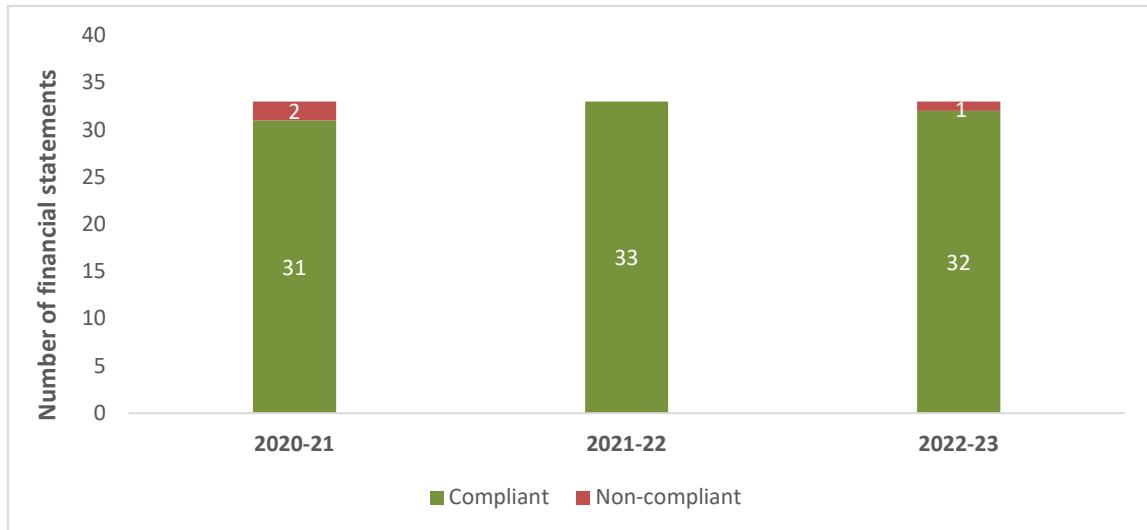
- 2.13 In 2022-23, 17 reporting agencies' (33 percent) financial statements were rated as satisfactory, a decrease from 55 percent (28 of 51) from the prior year. These financial statements required a few changes to the reported amounts for minor errors along with some improvements to the notes or disclosures.
- 2.14 In 2022-23, six financial statements (12 percent) of reporting agencies were rated as fair, up from 4 percent (2 of 51) in the prior year. These financial statements were of a borderline quality requiring several changes to the reported amounts along with improvements to accounting policies, note disclosures or variance explanations before the auditor's report was able to be issued.
- 2.15 One reporting agency's financial statements (2 percent) was rated as unsatisfactory in both 2022-23 and 2021-22 as these financial statements did not comply with the Australian Accounting Standards and the *Financial Management Act 1996* due to a material and pervasive error in the financial statements that the reporting agency did not correct.
- 2.16 Typically, the financial statements will be rated as unsatisfactory where there are material errors in reported amounts, the financial statements are incomplete, unclear or not informative and significant changes are required to accounting policies, disclosures or the presentation of information in order to bring them up to an acceptable standard. The Audit Office will make recommendations in the reporting agency's audit management report when financial statements are rated as unsatisfactory on how to improve its financial statements. This report is provided to the agency head or governing board and also the responsible Minister.

Timeliness of financial statements

- 2.17 Each year a whole of government reporting timetable is released by the Chief Minister, Treasury and Economic Development Directorate. The timetable includes the dates for when reporting agencies with a reporting period ending 30 June are required to submit their financial statements to the Audit Office. This section only relates to those reporting agencies required to produce financial statements in accordance with the whole of government reporting timetable.
- 2.18 Compliance with the timetable:
- ensures the financial statements of the Territory are prepared and audited within the timeframe set out in the *Financial Management Act 1996*; and
 - allows reporting agencies to prepare their annual reports which includes the audited financial statements and independent auditor's report. The annual report is required to be published in accordance with the timeframes provided in the Annual Report Directions issued under the *Annual Reports (Government Agencies) Act 2004*.

2.19 All reporting agencies provided their financial statements to the Audit Office in accordance with the whole of government reporting timetable except for one agency, which was granted an extension from Treasury to allow time for the agency to seek external accounting advice.

Figure 2-4 Compliance with whole of government reporting timetable



3 RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

Introduction

- 3.1 Most ACT Government directorates and authorities are required to prepare a statement of performance which is used to measure their performance against targets for accountability indicators included in their Budget Papers (for directorates) or Statements of Intent (for authorities).
- 3.2 The *Financial Management Act 1996* and the *Financial Management (Statement of Performance Scrutiny) Guidelines 2019* require the Audit Office to provide a limited assurance report on a reporting agency's statement of performance.
- 3.3 A limited assurance report issued by the Audit Office provides an independent conclusion on the statement of performance. An unmodified limited assurance report indicates that the results of the accountability indicators included in the statement of performance fairly reflect, in all material respects, the reporting agency's performance for the reporting period. A modified limited assurance report will be issued on the reporting agency's statement of performance where these requirements are not met.
- 3.4 The work performed in a limited assurance engagement is substantially less than that performed in an audit of financial statements and therefore a lower level of assurance is provided. This is because the work performed by the Audit Office on the results of accountability indicators only includes examining available documentation, performing analytical and other review procedures as considered necessary and making inquiries with representatives of the reporting agency.
- 3.5 The accountability indicators and their related targets are set by reporting agencies during the annual budget process. The limited assurance report does not provide a conclusion on the relevance or usefulness of the accountability indicators. However, where the Audit Office identifies significant matters in relation to the accountability indicators including opportunities for improvement of the indicator, these are reported in the audit management report provided to the head of the agency or governing board as well as the responsible Minister.
- 3.6 The Audit Office assessed the quality and timeliness of the statements of performance submitted by reporting agencies in order to provide an overall picture of the effectiveness of the arrangements used to prepare the statements of performance.

Overall finding

Twenty-six reporting agencies' statements of performance received an unmodified limited assurance report in 2022-23. Four reporting agencies' statements of performance received a modified limited assurance report in 2022-23. These reporting agencies were unable to measure the results for one or more of their accountability indicators as the underlying data was not available or unable to be provided for all or part of the reporting period.

The overall quality of the statements of performance provided by reporting agencies remained high with 87 percent (26 of 30) of statements of performance rated as either good or satisfactory.

All agencies submitted their statements of performance to the Audit Office in accordance with the whole of government reporting timetable.

Overall, a high quality of statements of performance were submitted to the Audit Office in a timely manner. As the four agencies that received modification of their limited assurance reports on their statements of performance had one-off issues, the risk of non-compliance with the whole of government timetable and modification of the limited assurance report is considered low.

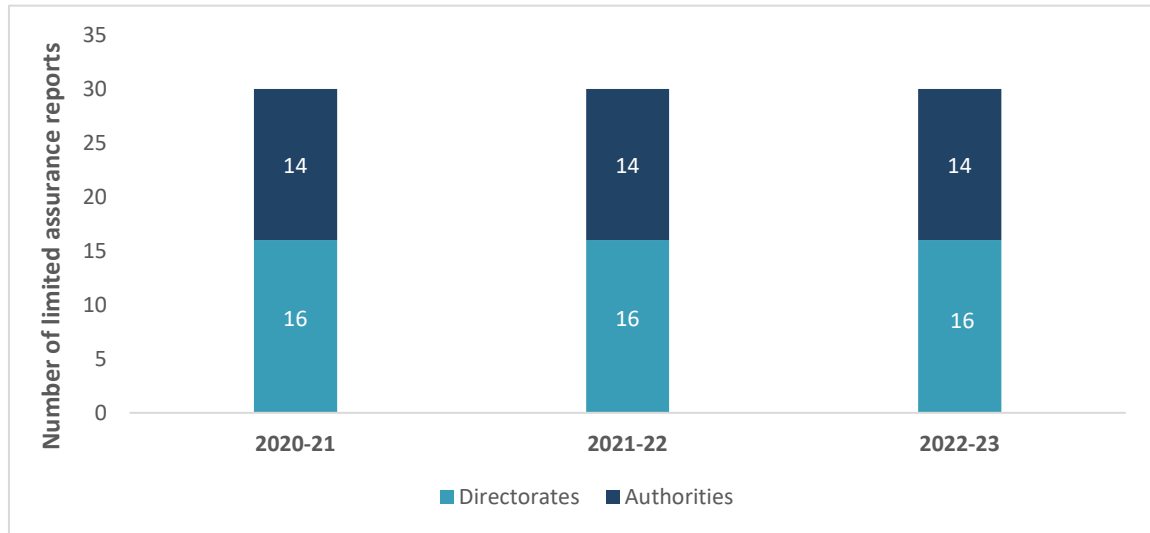
Key findings

	Paragraph
Unmodified limited assurance reports were issued on 26 reporting agencies' statements of performance in 2022-23 as no matters were identified that would indicate the results for their accountability indicators in their statements of performance were not materially correct or could not be independently verified during the limited assurance engagement.	3.8
Modified limited assurance reports were issued on four reporting agencies' statements of performance in 2022-23. The ACT Health Directorate, Canberra Health Services and the Legal Aid Commission (ACT) had a qualified conclusion issued on their statement of performance while the ACT Local Hospital Network Directorate had a disclaimer of conclusion.	3.9
These reporting agencies did not measure the results for some or all of their accountability indicators for the reporting period as required by the <i>Financial Management Act 1996</i> . These agencies were unable to measure the results due to the underlying data not being available for all or part of the reporting period from the relevant information systems.	3.10
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Consistent with the prior year, all agencies submitted their statements of performance to the Audit Office in accordance with the whole of government reporting timetable. 3.21

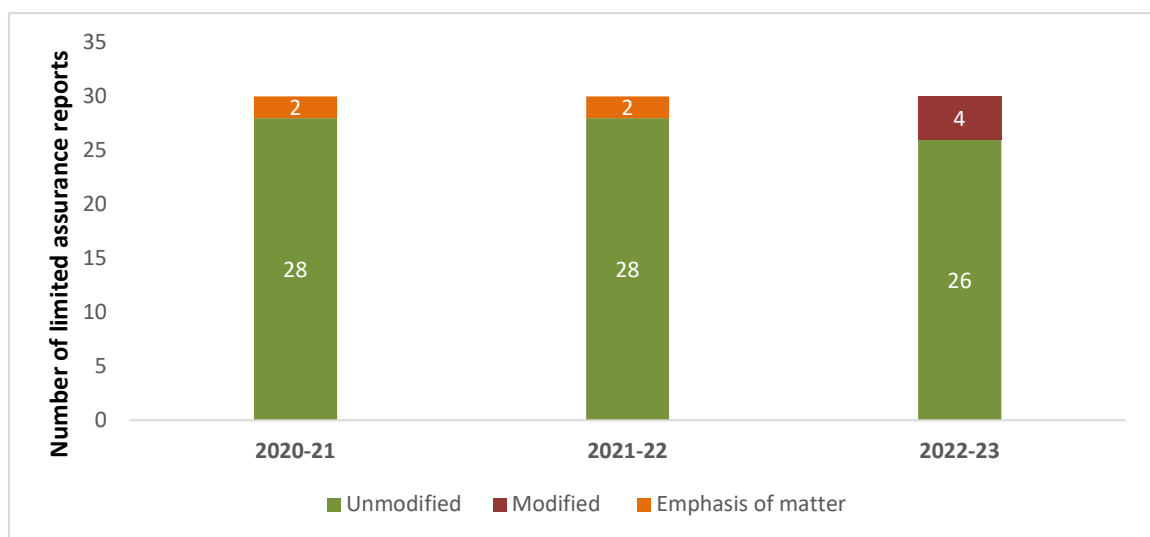
Limited assurance reports

Figure 3-1 Number of limited assurance reports



3.7 The Audit Office issued limited assurance reports on the statements of performance of 30 reporting agencies in 2022-23 for 16 directorates and 14 authorities, as shown in Figure 3-1 above. This number remains unchanged for the past two years. Table 1-1 in Chapter 1 lists these reporting agencies.

Figure 3-2 Types of limited assurance reports



3.8 Unmodified limited assurance reports were issued on 26 reporting agencies' statements of performance in 2022-23 as no matters were identified that would indicate the results for

their accountability indicators in their statements of performance were not materially correct or could not be independently verified during the limited assurance engagement.

3.9 Modified limited assurance reports were issued on four reporting agencies’ statements of performance in 2022-23. The ACT Health Directorate, Canberra Health Services and the Legal Aid Commission (ACT) had a qualified conclusion issued on their statement of performance while the ACT Local Hospital Network Directorate had a disclaimer of conclusion.

3.10 These reporting agencies did not measure the results for some or all of their accountability indicators for the reporting period as required by the *Financial Management Act 1996*. These agencies were unable to measure the results due to the underlying data not being available for all or part of the reporting period from the relevant information systems.

Quality of statements of performance

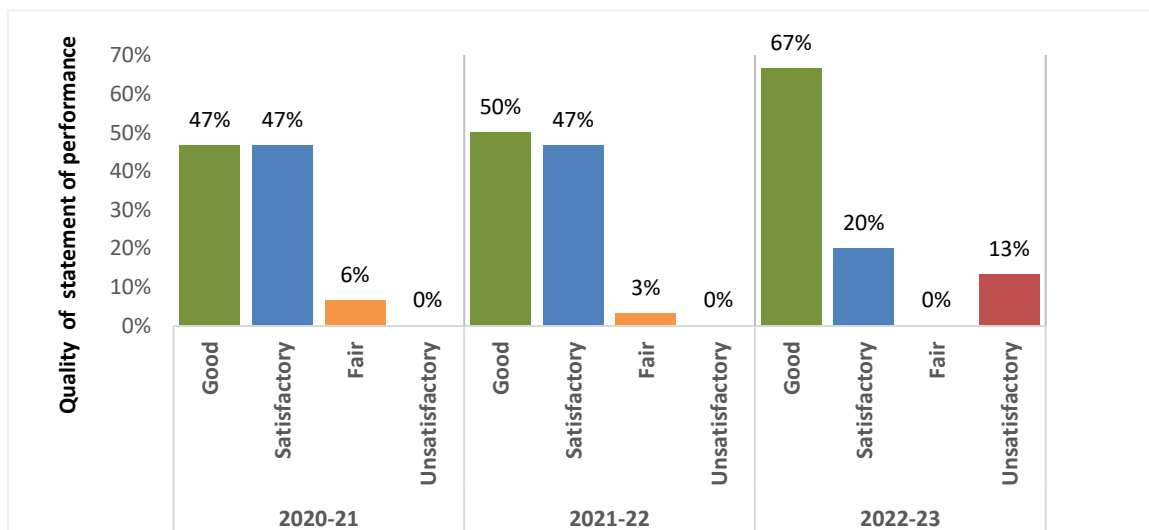
3.11 An unmodified limited assurance report may be provided at the completion of a limited assurance engagement when expressing a conclusion on the fairness and accuracy of the reported results of accountability indicators in the statement of performance.

3.12 However, as statements of performance are often corrected during the limited assurance engagement an unmodified limited assurance report does not mean the:

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

3.13 The Audit Office uses the rating criteria in *Appendix A: Key Terms and Rating Criteria* to assess the quality of the statements of performance and the effectiveness of the processes used by reporting agencies to prepare their statements of performance.

Figure 3-3 Quality of statements of performance



- 3.14 The overall quality of the statements of performance provided to the Audit Office by reporting agencies dropped in 2022-23 with 87 percent (26 of 30) of statements of performance rated as good or satisfactory compared to 97 percent (29 of 30) in the prior year.
- 3.15 The Audit Office rated 20 (67 percent) statements of performance submitted by reporting agencies as good in 2022-23 as there were no changes required to the reported results of their accountability indicators and only minor editorial changes were made to disclosures.
- 3.16 The statements of performance of six reporting agencies (20 percent) were rated as satisfactory, a decrease of more than half from the prior year (47 percent). The accountability indicators in these statements of performance contained a few errors in one or more of the reported results and minor improvements were required to disclosures, including variance explanations or explanatory information about the accountability indicators.
- 3.17 The Audit Office rated the statement of performance of four (13 percent) reporting agencies as unsatisfactory this year as these reporting agencies did not measure the results for some or all of their accountability indicators for the relevant reporting period as required by the *Financial Management Act 1996*.
- 3.18 Typically, the Audit Office will rate a statement of performance as unsatisfactory where it is found to be non-compliant with the *Financial Management Act 1996*, there are a numerous or material errors in the reported results, or significant corrections are required to be made to disclosures and other explanatory information. Where the statement of performance is rated as unsatisfactory this is noted in the reporting agencies' audit management report, which is provided to the agency head or governing board and also the responsible Minister.

Timeliness of statements of performance

- 3.19 Each year a whole of government reporting timetable is released that includes the dates for when reporting agencies are required to submit their statements of performance to the Audit Office for the 30 June limited assurance engagements. This section only relates to those reporting agencies required to produce statements of performance in accordance with the whole of government reporting timetable.
- 3.20 Compliance with the timetable is required to allow agencies to compile their annual reports, which are required to include their statement of performance and limited assurance report. The annual report needs to be prepared in accordance with the Annual Report Directions issued under the *Annual Reports (Government Agencies) Act 2004*.

Figure 3-4 Compliance with whole of government reporting timetable



3.21 Consistent with the prior year, all agencies submitted their statements of performance to the Audit Office in accordance with the whole of government reporting timetable.

4 ANNUAL REPORTS

Introduction

- 4.1 ACT Government reporting agencies are required to present their annual reports in accordance with the Annual Reports Directions issued by the Chief Minister, Treasury and Economic Development Directorate under the *Annual Reports (Government Agencies) Act 2004*.
- 4.2 The Annual Reports Directions require reporting agencies to make their annual reports available on the relevant website on the same day their annual report is tabled in the ACT Legislative Assembly.
- 4.2 The annual reports of reporting agencies are required to include their audited financial statements along with the auditor's report and, where applicable, their statement of performance and the limited assurance report.

Overall finding

Most reporting agencies included accurate and complete versions of their financial statements with the auditor's report, and statement of performance with the limited assurance report, in their annual report. Where errors were identified these were subsequently corrected by these reporting agencies.

Key findings

	Paragraph
All but two reporting agencies included complete and accurate versions of their audited financial statements with the auditor's report, and the statement of performance with the limited assurance report, in their annual reports.	4.5
Two reporting agencies did not include complete information in their annual report as: <ul style="list-style-type: none">one reporting agency did not include the limited assurance report with their statement of performance; placing instead the auditor's report on the financial statements; andone reporting agency omitted part of its audited financial statements. These reporting agencies subsequently corrected their annual reports.	4.6
Almost all reporting agencies complied with the Annual Reports Directions issued under the <i>Annual Reports (Government Agencies) Act 2004</i> to place a copy of their	4.7

annual report on the relevant website on the same day it was tabled in the ACT Legislative Assembly. Two agencies, however, were late and provided their annual report on their website within three working days after the due date.

Responsibilities

- 4.3 Reporting agencies are responsible for ensuring their annual report includes:
- accurate and complete versions of their financial statements and statement of performance; and
 - the complete auditor's report on the financial statements and limited assurance report on the statement of performance.
- 4.4 Under Australian Auditing Standard ASA 720: 'The Auditor's Responsibilities Relating to Other Information', the Audit Office is required to check the annual reports of reporting agencies to confirm that the:
- financial statements and statements of performance are accurate and complete;
 - complete auditor's report and limited assurance report have been provided with the financial statements and statements of performance; and
 - other relevant financial and performance information provided in the annual report is consistent with the financial statements and statements of performance.

Financial and performance information in annual reports

- 4.5 All but two reporting agencies included complete and accurate versions of their audited financial statements with the auditor's report, and the statement of performance with the limited assurance report, in their annual reports.
- 4.6 Two reporting agencies did not include complete information in their annual report as:
- one reporting agency did not include the limited assurance report with their statement of performance; placing instead the auditor's report on the financial statements; and
 - one reporting agency omitted part of its audited financial statements.

These reporting agencies subsequently corrected their annual reports.

Timeliness of annual reports

- 4.7 Almost all reporting agencies complied with the Annual Reports Directions issued under the *Annual Reports (Government Agencies) Act 2004* to place a copy of their annual report on the relevant website on the same day it was tabled in the ACT Legislative Assembly. Two agencies, however, were late and provided their annual report on their website within three working days after the due date.

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 report on financial statements

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

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

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

Statement of performance

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

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

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

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

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

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

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

Limited assurance report on statement of performance

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

A limited assurance report with a modified conclusion will be issued 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 limited assurance report with a modified conclusion can have either a qualified conclusion, adverse conclusion or a disclaimer of conclusion. The conclusion provided will be based on the materiality and number of the accountability indicators that are not correctly reported or measured or that cannot be independently verified.

Materiality

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

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

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

Not fairly presented

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

Rating criteria for quality of financial statements and statements of performance

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

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

Rating	Criteria
Good	Statements were prepared to a high standard as no errors were identified in reported amounts and minimal changes were required to disclosures.
Satisfactory	Statements were well prepared, but a few errors were identified in reported amounts or a few changes to disclosures.
Fair	Statements were of borderline quality as several errors were identified in reported amounts or several changes to disclosures.
Unsatisfactory	Statements were not well prepared as there were many errors in reported amounts and disclosures including non-compliance with the <i>Financial Management Act 1996</i> and Australian Accounting Standards.

Audit reports

Reports Published in 2022-23	
Report No. 08 – 2023	Supports for students with disability in ACT public schools
Report No. 07 – 2023	Annual Report 2022-23
Report No. 06 – 2023	Implementation of the ACT Aboriginal and Torres Strait Islander Agreement
Report No. 05 – 2023	Activities of the Government Procurement Board
Report No. 04 – 2023	Procurement of a hybrid electric fire truck
Report No. 03 – 2023	Financial Management Services for Protected Persons
Report No. 02 – 2023	Management of Operation Reboot (Outpatients)
Report No. 01 – 2023	Construction occupations licensing
Reports Published in 2021-22	
Report No. 10 – 2022	2021-22 Financial Audits – Financial Results and Audit Findings
Report No. 09 – 2022	ACT Emergency Services Agency cleaning services arrangements
Report No. 08 – 2022	2021-22 Financial Audits - Overview
Report No. 07 – 2022	ACT Childhood Healthy Eating and Active Living Programs
Report No. 06 – 2022	Annual Report 2021-22
Report No. 05 – 2022	Procurement and contracting activities for the Acton Waterfront Project
Report No. 04 – 2022	Governance arrangements for the planning of services for Parkwood, Ginninderry
Report No. 03 – 2022	Taxi Subsidy Scheme
Report No. 02 – 2022	Fraud Prevention
Report No. 01 – 2022	Management of detainee mental health services in the Alexander Maconochie Centre

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