

**ACT AUDITOR–GENERAL’S REPORT**  
**2016-17 FINANCIAL AUDITS - OVERVIEW**  
REPORT NO. 10 / 2017

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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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PA 17/06

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 '2016-17 Financial Audits – Overview' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Dr Maxine Cooper  
Auditor-General  
24 November 2017



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# SUMMARY

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The ACT Audit Office's reports on financial statements and statements of performance inform the ACT Legislative Assembly and community members 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.

In 2016-17, the Audit Office conducted:

- audits of 55 financial statements prepared by ACT Government directorates, authorities and companies, and other entities in which the ACT Government has a financial interest;
- reviews of 25 statements of performance prepared by ACT Government directorates and authorities; and
- a compliance audit on the Public Trustee and Guardian's compliance with the 'Public Ancillary Fund Guidelines 2011'.

This report summarises the results of the audits and reviews described above. Also included is a summary of the Audit Office's assessment of the overall quality and timeliness of reporting by the reporting agencies and the accuracy of the financial and performance information included in reporting agencies' annual reports.

This is the first of the three reports on 2016-17 financial audits and will be followed by reports titled 'Financial Results and Audit Findings' and 'Computer Information Systems'.

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

## Overall findings

### RESULTS OF FINANCIAL STATEMENTS AUDITS

No qualified (negative) audit reports were issued in 2016-17 as all audited financial statements materially complied with the relevant reporting and accounting 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 to the Audit Office by reporting agencies improved in 2016-17 with 96 percent of reporting agencies' financial statements rated good or satisfactory.

Most agencies provided their financial statements to the Audit Office on time in accordance with the whole-of-government timetable. A small number provided their financial statements shortly after the due date.

### **RESULTS OF STATEMENTS OF PERFORMANCE REVIEWS**

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

The quality of statements of performance submitted by reporting agencies for review remained high with over 80 percent of agencies' statements of performance rated good or satisfactory.

Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high as over 90 percent of agencies complied with the timetable.

### **ANNUAL REPORTS**

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

# 1 AUDIT REPORTS AND REPORTS OF FACTUAL FINDINGS ISSUED

- 1.1 Table 1-1 lists the audit reports and reports of factual findings issued on reporting agencies' financial statements and statements of performance by the Audit Office in 2016-17.
- 1.2 Terms which the reader may not be familiar with, such as the types of opinions issued on financial statements and statements of performance are explained in Appendix A: Key Terms and Rating Criteria.

**Table 1-1 Audit reports and reports of factual findings**

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

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

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



## 2 RESULTS OF FINANCIAL STATEMENTS AUDITS

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### Introduction

- 2.1 The Audit Office is required to audit the financial statements of the Territory and ACT Government directorates and authorities under the *Financial Management Act 1996*. Audits of other reporting agencies' financial statements are performed under other legislation or reporting requirements, such as the *Corporations Act 2001*, joint venture agreements, trust deeds and Commonwealth Government funding agreements.
- 2.2 The Auditor-General provides an independent opinion in the audit report on whether 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, including Australian Accounting Standards.
- 2.3 An unqualified (positive) audit report means that the Auditor-General has concluded 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.
- 2.4 The Audit Office assesses the timeliness and quality of the financial statements prepared by reporting agencies to provide an overall picture of the effectiveness of the reporting arrangements implemented by agencies.

### Overall finding

No qualified (negative) audit reports were issued in 2016-17 as all audited financial statements materially complied with the relevant reporting and accounting 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 to the Audit Office by reporting agencies improved in 2016-17 with 96 percent of reporting agencies' financial statements rated good or satisfactory.

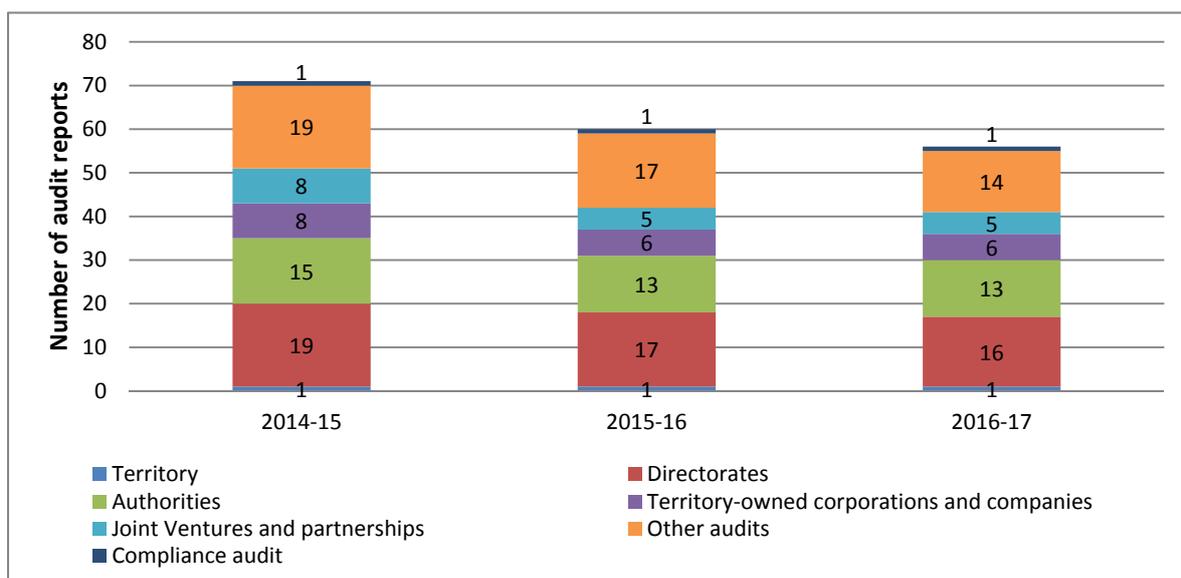
Most agencies provided their financial statements to the Audit Office on time in accordance with the whole-of-government timetable. A small number provided their financial statements shortly after the due date.

## Key findings

|   | Paragraph |
|---|-----------|
| No qualified (negative) audit reports were issued in 2016-17 or in 2015-16.   | 2.8       |
| The Auditor-General concluded that all 55 financial statements audited in 2016-17 materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.   | 2.9       |
| The Auditor-General provided an unqualified compliance audit report on the Public Trustee and Guardian’s compliance with the ‘Public Ancillary Fund Guidelines 2011’ for the Capital Region Community Foundation Gift Fund.   | 2.10      |
| The overall quality of financial statements submitted to the Audit Office by reporting agencies improved in 2016-17. The combined percentage of financial statements submitted for audit assessed as good or satisfactory in 2016-17 was 96 percent (47 of 49) compared to 81 percent in 2015-16 (43 of 53).            | 2.13      |
| The proportion of reporting agencies that complied with the whole-of-government reporting timetable for providing their financial statements to the Audit Office for audit remained high; 22 of 27 (81 percent) agencies complied with the reporting timetable in 2016-17 compared to 22 of 30 (73 percent) in 2015-16. | 2.20      |

## Audit reports

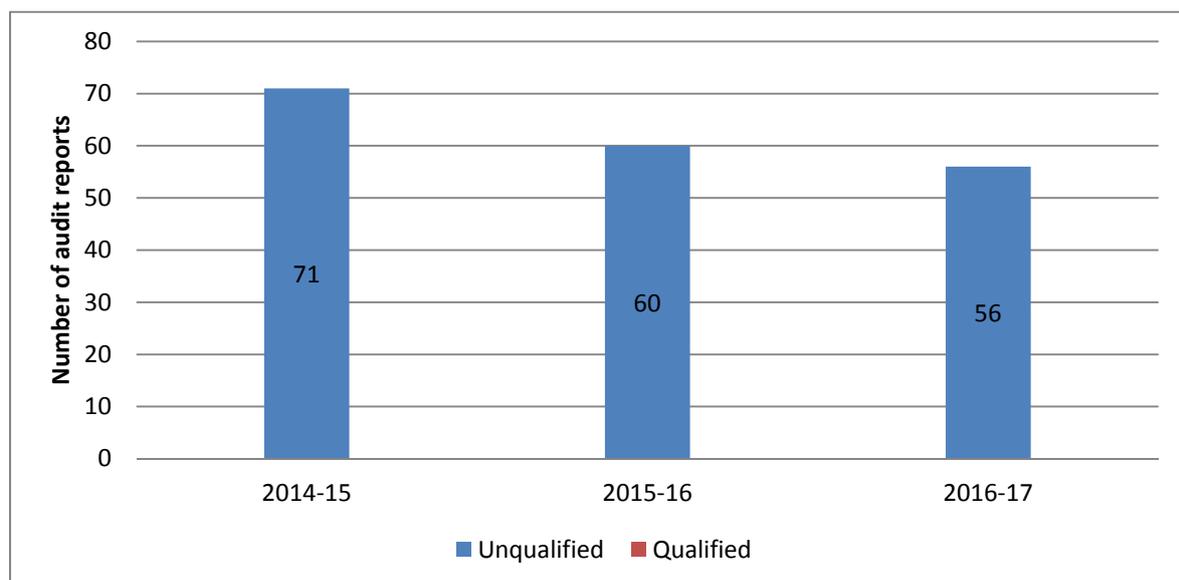
Figure 2-1 Number of audit reports



- 2.5 The Audit Office completed 55 financial statements audits in 2016-17 with reporting periods ending 31 December 2016 and 30 June 2017. This consisted of audits for directorates (16), authorities (13), Territory-owned corporations and companies (6), joint ventures and partnerships (5), the Territory (1) and other audits (14). One compliance audit was also completed. These are listed in Table 1-1 in Chapter 1.
- 2.6 The compliance audit relates to Public Trustee and Guardian’s compliance with the ‘Public Ancillary Fund Guidelines 2011’ (the Guidelines) for the Capital Region Community Foundation Gift Fund (the Fund). Public Trustee and Guardian must comply with the Guidelines for the Fund to retain its status as a ‘deductible gift recipient’. This allows donors to claim an income tax deduction for their gifts to the Fund.
- 2.7 There were fewer audit reports issued in 2016-17 (56) than in 2015-16 (60) because:
- the former Capital Metro Agency was amalgamated with the Territory and Municipal Services Directorate to form the Transport Canberra and City Services Directorate under changed administrative arrangements;
  - the audit of the Crace Joint Venture was no longer required; and
  - a single set of financial statements was prepared for the Gungahlin Cemetery, Woden Cemetery, Woden Mausoleum and Hall Cemetery Perpetual Care Trusts under the *Cemeteries and Crematoria Act 2003* (separate financial statements for the Perpetual Care Trusts were prepared in 2015-16).

This was offset by the completion of the audit of the financial statements of the West Belconnen Joint Venture for the first time. The Joint Venture commenced operations in November 2016 and was formed between the former Land Development Agency and Riverview Developments (ACT) Pty Limited for the development and sale of land at West Belconnen, also referred to as Ginninderry.

**Figure 2-2 Number of unqualified and qualified audit reports**



- 2.8 No qualified (negative) audit reports were issued in 2016-17 or in 2015-16.
- 2.9 The Auditor-General concluded that all 55 financial statements audited in 2016-17 materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.
- 2.10 The Auditor-General provided an unqualified compliance audit report on the Public Trustee and Guardian’s compliance with the ‘Public Ancillary Fund Guidelines 2011’ for the Capital Region Community Foundation Gift Fund.

### Quality of financial statements

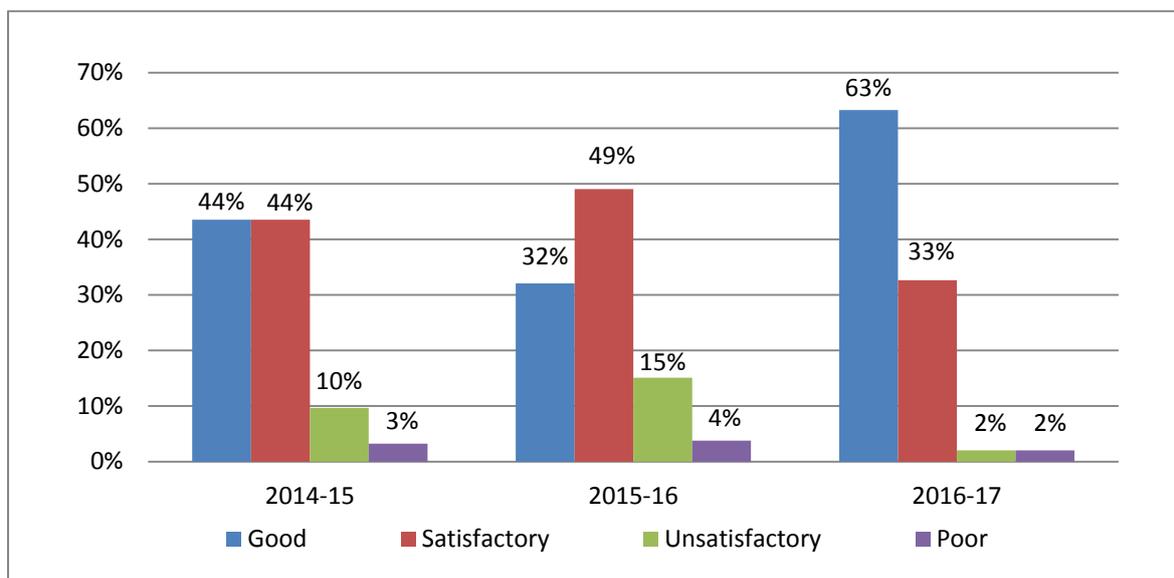
2.11 An unqualified (positive) audit report on a reporting agency’s financial statements means the Auditor-General has concluded the financial statements provide a fair representation of the financial performance and position of the reporting agency in accordance with the relevant financial reporting and disclosure requirements.

However, as financial statements are often corrected during the audit, an unqualified audit report does not mean the:

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

2.12 The Audit Office therefore assessed the quality of the financial statements submitted for audit using the rating criteria shown in Appendix A: Key Terms and Rating Criteria, to provide an indication of the adequacy of the processes implemented by reporting agencies to prepare their financial statements.

Figure 2-3 Quality of financial statements



- 2.13 The overall quality of financial statements submitted to the Audit Office by reporting agencies improved in 2016-17. The combined percentage of financial statements submitted for audit assessed as good or satisfactory in 2016-17 was 96 percent (47 of 49<sup>1</sup>) compared to 81 percent in 2015-16 (43 of 53).
- 2.14 Two percent (one of 49) of financial statements were assessed as unsatisfactory in 2016-17. The one financial statement was considered to be just below satisfactory and therefore borderline. In 2015-16, 15 percent (eight of 53) financial statements were assessed as unsatisfactory.
- 2.15 In 2016-17, two percent (one<sup>2</sup> of 49) of the financial statements submitted for audit were rated as poor. In 2015-16, four percent (two<sup>3</sup> of 53) were rated as poor.
- 2.16 The Audit Office typically rates financial statements as unsatisfactory or poor when many reported amounts in the financial statements are incorrect or where explanatory information, including explanations for major variances, are incorrect, unclear or not informative.
- 2.17 Where the financial statements of a reporting agency are rated as unsatisfactory or poor, the Audit Office makes recommendations to improve reporting in the relevant agency's audit management report that is provided to the agency head or governing board and the responsible Minister.

### Timeliness of financial statements

- 2.18 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 2016-17 reporting timetable included the dates by which these reporting agencies were required to submit their financial statements to the Audit Office.

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<sup>1</sup> The quality of six of 55 reporting agencies' financial statements is not assessed as these agencies complete a form to acquit the spending of funding received from the Commonwealth Government.

<sup>2</sup> Transport Canberra and City Services Directorate (A newly formed Directorate, bringing together two agencies that provide a diverse range of services for all Canberrans). The reason for the poor rating is because many amendments were required to explanatory information included in the financial statements. The Directorate has agreed to address this matter for future reporting periods.

<sup>3</sup> For 2015-16, the Audit Office had not advised agencies that the agency names would be disclosed.

- 2.19 Reporting agencies are required to comply with this timetable to allow the:
- financial statements of the Territory to be prepared and audited within the timeframe required by the *Financial Management Act 1996*; and
  - annual reports, containing the audited financial statements and audit reports, to be completed in accordance with the timeframes contained in the Annual Report Directions issued by the Chief Minister, Treasury and Economic Development Directorate under the *Annual Reports (Government Agencies) Act 2004*.
- 2.20 The proportion of reporting agencies that complied with the whole-of-government reporting timetable for providing their financial statements to the Audit Office for audit remained high; 22 of 27<sup>4</sup> (81 percent) agencies complied with the reporting timetable in 2016-17 compared to 22 of 30 (73 percent) in 2015-16.
- 2.21 The five reporting agencies<sup>5</sup> that did not comply with the whole-of-government reporting timetable in 2016-17 submitted their financial statements to the Audit Office shortly (within 3 days) after the due date.

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<sup>4</sup> 27 of 55 reporting agencies are required to comply with the whole-of-government reporting timetable.

<sup>5</sup> ACT Local Hospital Network Directorate, Environment, Planning and Sustainable Development Directorate, Health Directorate, ACT Gambling and Racing Commission and former Land Development Agency.

## 3 RESULTS OF STATEMENTS OF PERFORMANCE REVIEWS

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### Introduction

- 3.1 ACT Government directorates and authorities prepare statements of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines*. Statements of performance are required to present the reporting agency's performance against the targets for accountability indicators disclosed in the Budget Papers (directorates) or Statements of Intent (authorities).
- 3.2 The Audit Office reviews statements of performance of ACT Government directorates and authorities as required by the *Financial Management Act 1996*.
- 3.3 The Audit Office provides an opinion in a report of factual findings on whether any matters have come to the attention of the Audit Office that indicate the results of the accountability indicators are not fairly presented. The types of opinions provided in reports of factual findings are included in Appendix A: Key Terms and Rating Criteria.
- 3.4 The review of accountability indicators is limited to making inquiries with representatives of the reporting agency, performing analytical and other review procedures, and examining other available documentation. The review provides a lower level of assurance than an audit of financial statements.
- 3.5 The Auditor-General does not provide an opinion on the relevance or usefulness of the accountability indicators as part of the review of the statement of performance because these indicators and their related targets are set by the reporting agency during the annual budget process. Concerns about the relevance or usefulness of the accountability indicators may be reported in an agency's audit management report that is provided to the agency head or governing board and the responsible Minister.

### Overall finding

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

The quality of statements of performance submitted by reporting agencies for review remained high with over 80 percent of agencies' statements of performance rated good or satisfactory.

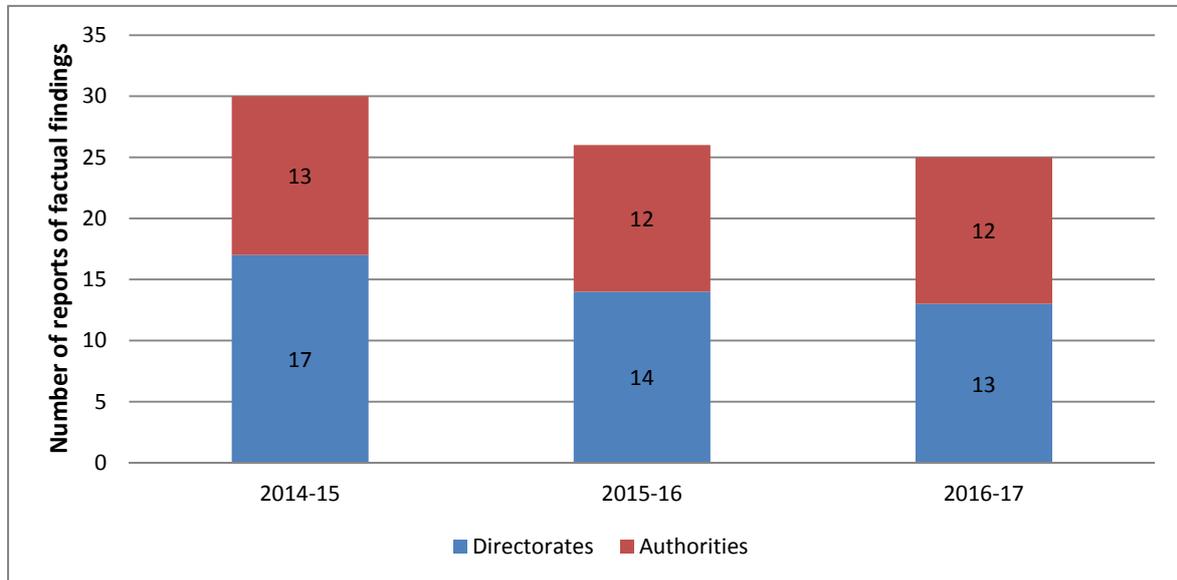
Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high as over 90 percent of agencies complied with the timetable.

## Key findings

|   | Paragraph |
|---|-----------|
| No qualified (negative) reports of factual findings were issued in 2016-17 (nil in 2015-16). No matters were identified from the Audit Office's reviews of statements of performance in 2016-17 which indicated that reported results were materially incorrect or unable to be independently verified.   | 3.8       |
| However, the report of factual findings issued on the statement of performance of the Community Services Directorate included a negative finding because targets for accountability indicators were not established and reported against for Output Class 1: 'Therapy and Disability Services' as required by the <i>Financial Management Act 1996</i> .  | 3.9       |
| The overall quality of statements of performance submitted to the Audit Office by reporting agencies for review in 2016-17 remained high. The percentage of statements of performance rated by the Audit Office as good or satisfactory was 84 percent (21 of 25) in 2016-17 compared to 81 percent (21 of 26) in 2015-16.  | 3.12      |
| Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high as 23 of 24 (96 percent) agencies complied with the reporting timetable in 2016-17 compared to 21 of 25 (84 percent) in 2015-16.   | 3.18      |
| The Justice and Community Safety Directorate did not submit its certified 2016-17 statement of performance to the Audit Office in accordance with the whole-of-government timetable as the Directorate identified errors in the reported results for four accountability indicators included in Output Class 3: 'Courts and Tribunal'. The Directorate provided the corrected certified statement of performance on 1 November 2017 rather than 19 September 2017 as required by the whole-of-government reporting timetable. | 3.19      |

## Reports of factual findings

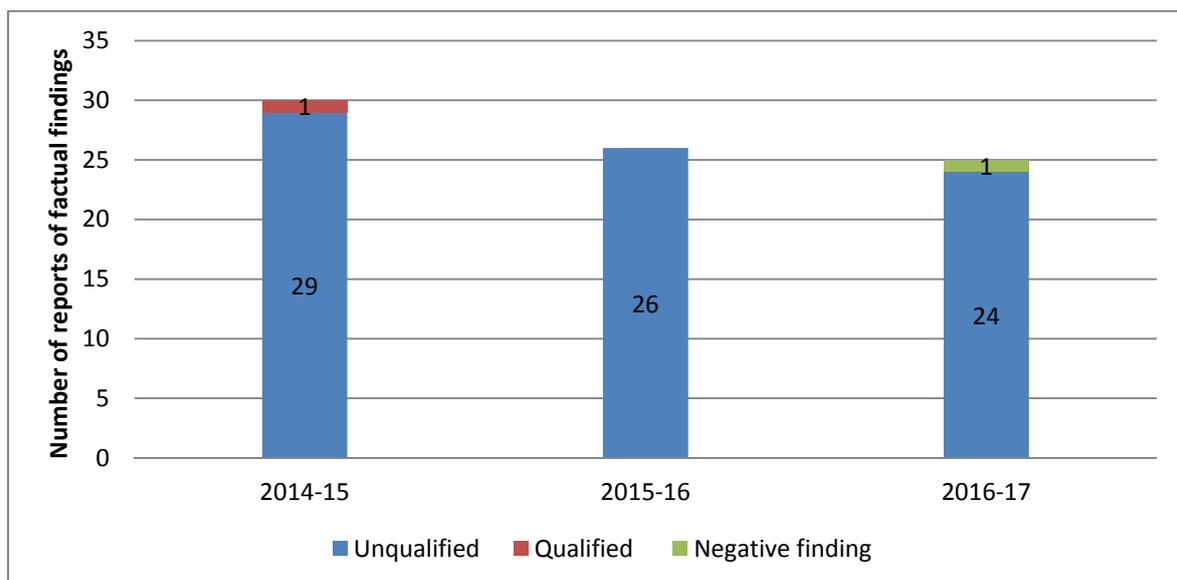
Figure 3-1 Number of reports of factual findings



3.6 In 2016-17, the Audit Office reviewed 25 statements of performance of directorates (13) and authorities (12). These are listed in Table 1-1 in Chapter 1.

3.7 The number of reports of factual findings issued in 2016-17 (25) slightly decreased from that in 2015-16 (26). A report of factual findings on the statement of performance for the former Capital Metro Agency was not required in 2016-17 as it was amalgamated with the Territory and Municipal Services Directorate to form the Transport Canberra and City Services Directorate under changed administrative arrangements.

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



3.8 No qualified (negative) reports of factual findings were issued in 2016-17 (nil in 2015-16). No matters were identified from the Audit Office’s reviews of statements of performance in 2016-17 which indicated that reported results were materially incorrect or unable to be independently verified.

3.9 However, the report of factual findings issued on the statement of performance of the Community Services Directorate included a negative finding because targets for accountability indicators were not established and reported against for Output Class 1: ‘Therapy and Disability Services’ as required by the *Financial Management Act 1996*.

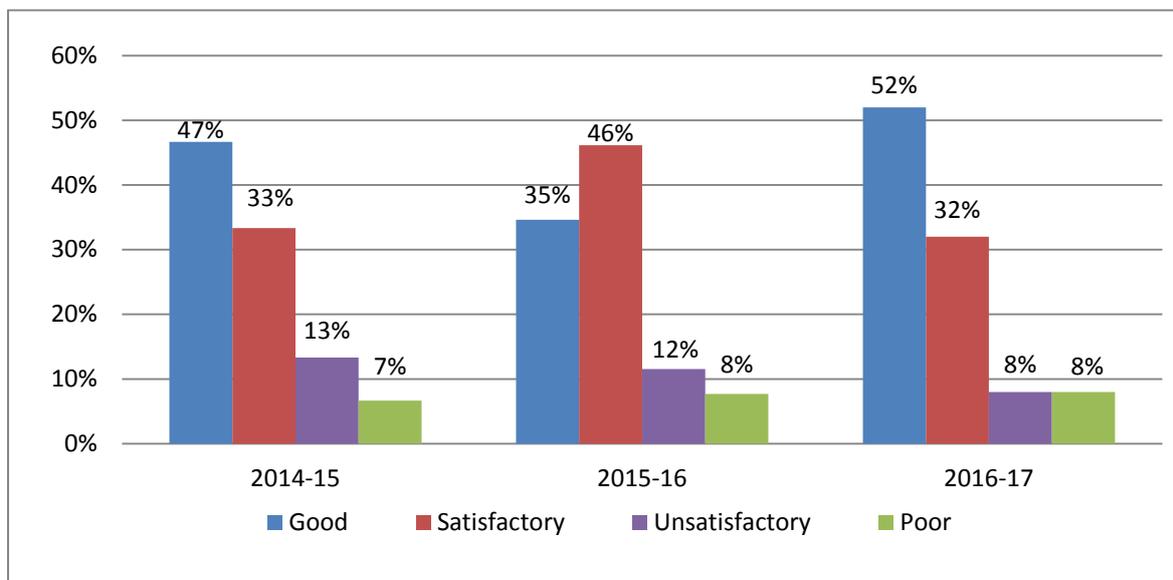
### Quality of statements of performance

3.10 A report of factual findings is issued at the completion of the Audit Office’s review of results of accountability indicators, although statements of performance are often corrected before the report of factual findings is issued. An unqualified (positive) report of factual findings does not mean the:

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

3.11 To provide an indication of the adequacy of reporting agencies’ processes for preparing their statements of performance, the Audit Office assessed the quality of the statements of performance submitted by reporting agencies for review using the rating criteria shown in Appendix A: Key Terms and Rating Criteria.

Figure 3-3 Quality of statements of performance



- 3.12 The overall quality of statements of performance submitted to the Audit Office by reporting agencies for review in 2016-17 remained high. The percentage of statements of performance rated by the Audit Office as good or satisfactory was 84 percent (21 of 25) in 2016-17 compared to 81 percent (21 of 26) in 2015-16.
- 3.13 Eight percent (two of 25) of statements of performance were assessed as unsatisfactory in 2016-17. These were considered to be just below satisfactory and therefore borderline. In 2015-16, 12 percent (three of 26) were assessed as unsatisfactory.
- 3.14 A similar proportion (eight percent) of statements of performance was rated as poor in 2016-17 (two<sup>6</sup> of 25) compared to 2015-16 (two<sup>7</sup> of 26).
- 3.15 Statements of performance were typically rated as unsatisfactory or poor where:
- the results of many accountability indicators were corrected during the review; or
  - explanatory information included in the statement of performance about how accountability indicators were measured or variances of actual results from targets was inadequate, incorrect or unclear.
- 3.16 Where statements of performance are rated as unsatisfactory or poor, the Audit Office makes recommendations to improve reporting in an agency's audit management report that is provided to the agency head or governing board and the responsible Minister.

### Timeliness of statements of performance

- 3.17 The whole-of-government reporting timetable issued by the Chief Minister, Treasury and Economic Development Directorate each year also includes the date by which relevant reporting agencies are required to submit their statement of performance to the Audit Office for review.
- 3.18 Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high as 23 of 24<sup>8</sup> (96 percent) agencies complied with the reporting timetable in 2016-17 compared to 21 of 25 (84 percent) in 2015-16.

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<sup>6</sup> Justice and Community Safety Directorate (JACS) and Transport Canberra and City Services Directorate (TCCS). JACS' errors in the results of accountability indicators for Output Class 3 is the reason for the poor rating. The reason for TCCS' poor rating is due to many amendments required to explanatory information in the statement of performance.

<sup>7</sup> For 2015-16, the Audit Office had not advised agencies that the agency names would be disclosed.

<sup>8</sup> One of 25 reporting agencies is not required to comply with the whole-of-government reporting timetable as it prepared its statement of performance at 31 December 2016.

- 3.19 The Justice and Community Safety Directorate did not submit its certified 2016-17 statement of performance to the Audit Office in accordance with the whole-of-government timetable as the Directorate identified errors in the reported results for four accountability indicators included in Output Class 3: 'Courts and Tribunal'. The Directorate provided the corrected certified statement of performance on 1 November 2017 rather than 19 September 2017 as required by the whole-of-government reporting timetable.

## 4 ANNUAL REPORTS

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### Introduction

- 4.1 Reporting agencies are required by the Annual Reports Directions issued under the *Annual Reports (Government Agencies) Act 2004* to place their annual reports 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 include the audited financial statements and audit report, and reviewed statement of performance and report of factual findings.

### Overall finding

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

### Key findings

|  | Paragraph |
|--|-----------|
| All except three reporting agencies complied with the requirement of the Annual Report Directions issued under the <i>Annual Reports (Government Agencies) Act 2004</i> to place a copy of their annual report on the relevant website on the same day it was tabled in the ACT Legislative Assembly. These agencies placed their annual reports on their website shortly after the due date (within a day).   | 4.5       |
| An accurate version of each reporting agency's audited financial statements and reviewed statement of performance was included in their annual report, except for: <ul style="list-style-type: none"><li>two reporting agencies that did not include the report of factual findings on the statement of performance;</li><li>three reporting agencies that did not include all pages of their audited financial statements; and</li><li>one reporting agency that identified errors in the reported results for four accountability indicators included in its statement of performance after the annual report was published.</li></ul> | 4.6       |
| These reporting agencies subsequently corrected their annual report.   |           |

## Responsibilities

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

## Timeliness of annual reports

- 4.5 All except three reporting agencies<sup>9</sup> complied with the requirement of the Annual Report Directions issued under the *Annual Reports (Government Agencies) Act 2004* to place a copy of their annual report on the relevant website on the same day it was tabled in the ACT Legislative Assembly. These agencies placed their annual reports on their website shortly after the due date (within a day).

## Accuracy of financial and performance information in annual reports

- 4.6 An accurate version of each reporting agency's audited financial statements and reviewed statement of performance was included in their annual report, except for:
- two reporting agencies<sup>10</sup> that did not include the report of factual findings on the statement of performance;
  - three reporting agencies<sup>11</sup> that did not include all pages of their audited financial statements; and

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<sup>9</sup> ACT Building and Construction Industry Training Fund Authority, ACT Gambling and Racing Commission and Legal Aid Commission (ACT).

<sup>10</sup> ACTION and ACT Public Cemeteries Authority.

<sup>11</sup> Justice and Community Safety Directorate, Public Trustee and Guardian and Public Trustee and Guardian (Trust Account).

- one reporting agency<sup>12</sup> that identified errors in the reported results for four accountability indicators included in its statement of performance after the annual report was published.

These reporting agencies subsequently corrected their annual report.

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<sup>12</sup> Justice and Community Safety Directorate.



## APPENDIX A: KEY TERMS AND RATING CRITERIA

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

### Financial statements

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

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

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

Audit reports are issued on a reporting agency's financial statements after the completion of an audit.

### Statements of performance

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

Accountability indicators are set by the reporting agency during the budget process and may provide information on the number, quality and timeliness of services provided.

Reports of factual findings are issued on a reporting agency's statement of performance after the Audit Office has completed a review of the reported results. These reports inform the ACT Legislative Assembly and community members as to whether the Audit Office has identified any matters which indicate that the reported results of these accountability indicators have not been accurately reported.

### Audit reports on financial statements

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

An audit report with a qualified (negative) audit opinion is issued where the Audit Office:

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

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

### Reports of factual findings on statements of performance

An unqualified (positive) report of factual findings is issued where no matters have come to the Audit Office's attention which indicate the results of the accountability indicators reported in the statement of performance are not fairly presented.

An unqualified report of factual findings may include a 'negative finding' where the reporting agency has not complied with the requirements of the *Financial Management Act 1996* to establish accountability indicators and targets, or measure a result, for one or more of its accountability indicators.

A qualified (negative) report of factual findings will be issued where a reported result of an accountability indicator is not accurate or cannot be independently verified.

### Materiality

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

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

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

## Not fairly presented

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

In practice, very few audit reports or reports of factual findings are qualified as reporting agencies usually agree to amend their financial statements or statements of performance before the audit report or report of factual findings is issued.

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

The following criteria were used to assess the quality of financial statements and statements of performance submitted by reporting agencies to the Audit Office for examination. The assessment of each reporting agency's financial statements and statement of performance is undertaken collectively by the Director, Financial Audits and other senior members of the financial audit team.

| Rating         | Criteria  |
|----------------|---|
| Good           | Statements were prepared to a high standard requiring no or minimal changes to reported amounts or disclosures.                 |
| Satisfactory   | Statements were well prepared but required a few changes to reported amounts or disclosures.                                    |
| Unsatisfactory | Statements were just below satisfactory and therefore borderline, requiring several changes to reported amounts or disclosures. |
| Poor           | Statements were not well prepared, requiring many changes to reported amounts or disclosures.                                   |



## Audit reports

| <b>Reports Published in 2017-18</b> |  |
|-------------------------------------|--|
| Report No. 09 – 2017                | Annual Report 2016-17  |
| Report No. 08 – 2017                | Selected ACT Government agencies' management of Public Art   |
| <b>Reports Published in 2016-17</b> |  |
| Report No. 07 – 2017                | Public Housing Renewal Program   |
| Report No. 06 – 2017                | Mental Health Services – Transition from Acute Care  |
| Report No. 05 – 2017                | Maintenance of Selected Road Infrastructure Assets   |
| Report No. 04 – 2017                | Performance information in ACT public schools  |
| Report No. 03 – 2017                | 2015-16 Financial Audits – Computer Information Systems  |
| Report No. 02 – 2017                | 2016 ACT Election  |
| Report No. 01 – 2017                | WorkSafe ACT's management of its regulatory responsibilities for the demolition of loose-fill asbestos contaminated houses         |
| Report No. 11 – 2016                | 2015-16 Financial Audits – Financial Results and Audit Findings  |
| Report No. 10 – 2016                | 2015-16 Financial Audits – Audit Reports   |
| Report No. 09 – 2016                | Commissioner for International Engagement – Position Creation and Appointment Process  |
| Report No. 08 – 2016                | Annual Report 2015-16  |
| Report No. 07 – 2016                | Certain Land Development Agency Acquisitions   |
| <b>Reports Published in 2015-16</b> |  |
| Report No. 06 – 2016                | Management and administration of credit cards by ACT Government entities   |
| Report No. 05 – 2016                | Initiation of the Light Rail Project   |
| Report No. 04 – 2016                | The management of the financial arrangements for the delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme |
| Report No. 03 – 2016                | ACT Policing Arrangement   |
| Report No. 02 – 2016                | Maintenance of Public Housing  |
| Report No. 01 – 2016                | Calvary Public Hospital Financial and Performance Reporting and Management   |
| Report No. 10 – 2015                | 2014-15 Financial Audits   |
| Report No. 09 – 2015                | Public Transport: The Frequent Network   |
| Report No. 08 – 2015                | Annual Report 2014-15  |
| <b>Reports Published in 2014-15</b> |  |
| Report No. 07 – 2015                | Sale of ACTTAB   |
| Report No. 06 – 2015                | Bulk Water Alliance  |
| Report No. 05 – 2015                | Integrity of Data in the Health Directorate  |
| Report No. 04 – 2015                | ACT Government support to the University of Canberra for affordable student accommodation  |
| Report No. 03 – 2015                | Restoration of the Lower Cotter Catchment  |
| Report No. 02 – 2015                | The Rehabilitation of Male Detainees at the Alexander Maconochie Centre  |
| Report No. 01 – 2015                | Debt Management  |
| Report No. 07 – 2014                | 2013-14 Financial Audits   |
| Report No. 06 – 2014                | Annual Report 2013-14  |

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

