

ACT AUDITOR-GENERAL'S REPORT

**2021-22 FINANCIAL AUDITS
OVERVIEW**

REPORT NO. 8 / 2022

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

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 '2021-22 Financial Audits – Overview' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Michael Harris
Auditor-General
28 November 2022

The ACT Audit Office acknowledges the traditional custodians of the Canberra region. The Office wishes to acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.

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SUMMARY

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

This report provides an overview of the results of the financial audits conducted by the Audit Office in 2021-22 consisting of:

- audits of 59 financial statements with reporting periods primarily ending 31 December 2021 and 30 June 2022;
- limited assurance engagements on 30 statements of performance with reporting periods ending 31 December 2021 and 30 June 2022; and
- one compliance audit.

The report also provides the Audit Office's assessment of the quality and timeliness of financial statements and statements of performance submitted by reporting entities and the accuracy of the financial and performance information included in reporting entities' annual reports.

This is the first of two reports on 2021-22 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 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

In 2021-22, unmodified auditor's reports were issued by the Audit Office on all except for one of the financial statements prepared by reporting agencies as they materially complied with the relevant accounting and financial reporting requirements and presented, in all material respects, 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 on the 2021-22 financial statements of the Cemeteries and Crematoria Authority.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit remained high with 94 percent (50 of 53¹) of financial statements prepared by reporting agencies rated as good or satisfactory.

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

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

RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

No modified limited assurance reports were issued in 2021-22 from the Audit Office's limited assurance engagements for reporting agencies' statements of performance which indicated that reported results were materially correct and able to be independently verified. However, the limited assurance reports of two agencies contained an emphasis of matter paragraph indicating they did not measure the results of all accountability indicators as required by the *Financial Management Act 1996*.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office remained high in 2021-22 with 97 percent (29 of 30) of statements of performance prepared by reporting agencies rated as good or satisfactory.

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

Overall, given the high quality of statements of performance submitted to the Audit Office in a timely manner, the risk of non compliance with the whole of government timetable and modification of the limited assurance report is low.

ANNUAL REPORTS

All 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.

¹ The quality of six of the 59 reporting entities' financial statements is not assessed by the Audit Office as they relate mainly to acquittal audits for which agencies don't prepare the full set of financial statements.

Key findings

RESULTS OF FINANCIAL STATEMENTS AUDITS	Paragraph
In 2021-22, the Audit Office issued unmodified auditor's reports on all except for one of the financial statements prepared by reporting agencies as they materially complied with the relevant accounting and financial reporting requirements and presented, in all material respects, a true and fair view of the financial performance and position of the reporting agencies.	2.10
One modified auditor's report with an adverse opinion was issued on the 2021-22 financial statements of the Cemeteries and Crematoria Authority as it did not recognise, measure and disclose an estimated provision for future maintenance (liability) of approximately \$45.2 million; nor recognised and disclosed \$10.9 million in funds (asset) within the Perpetual Care Trust as at 30 June 2022.	2.11
The Audit Office also issued an unmodified compliance auditor's report on the Public Trustee and Guardian's compliance with the <i>Taxation Administration (Public Ancillary Fund) Guidelines 2022</i> for the Capital Region Community Foundation Gift Fund.	2.12
The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high and slightly improved in 2021-22. The combined percentage of financial statements submitted for audit assessed as good or satisfactory in 2021-22 was 94 percent (50 of 53 ²) compared to 89 percent (47 of 53) in 2020-21.	2.15
All reporting agencies provided their financial statements to the Audit Office in accordance with the whole of government reporting timetable.	2.24
RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS	Paragraph
No modified limited assurance reports were issued in 2021-22. No matters were identified which would indicate the reported results of the accountability indicators included in reporting agencies' statements of performance were not materially correct or could not be independently verified following the limited assurance engagements.	3.8
However, the limited assurance reports issued on the statements of performance of the Chief Minister, Treasury and Economic Development Directorate, and Transport Canberra and City Services Directorate included an emphasis of matter paragraph because these reporting agencies did not measure results for one of their accountability indicators as required by the <i>Financial Management Act 1996</i> .	3.9

² The quality of six of the 59 reporting entities' financial statements is not assessed by the Audit Office as they relate mainly to acquittal audits for which agencies don't prepare the full set of financial statements.

The two reporting agencies advised that they were unable to measure results of these accountability indicators due to the COVID-19 pandemic.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office for review improved in 2021-22. The percentage of statements of performance rated by the Audit Office as good or satisfactory was 97 percent (29 of 30) in 2021-22 compared to 94 percent (28 of 30) in 2020-21. 3.13

Reporting agencies' compliance with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office significantly improved in 2021-22 as all 29³ of the agencies complied with the reporting timetable compared to 90 percent (26 of 29) in 2020-21. 3.20

Paragraph

ANNUAL REPORT

All reporting agencies included accurate and complete 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

All except two reporting agencies complied with the requirements of 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 day it was tabled in the ACT Legislative Assembly. The two agencies that were late, placed their annual report on their website within three working days after the due date. 4.7

³ One of the reporting agencies' statement of performance was prepared for the 31 December 2021 reporting period and therefore is not required to comply with the whole of government reporting timetable.

1 AUDITOR'S REPORTS AND LIMITED ASSURANCE REPORTS

- 1.1 The Audit Office issued 59 auditor's reports on financial statements, 30 limited assurance reports on statements of performance and 1 compliance auditor's report in 2021-22. Table 1-1 below lists these reports.
- 1.2 The types of 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	Unmodified
ACT Integrity Commission	Unmodified	Not applicable
ACT Local Hospital Network Directorate	Unmodified	Unmodified
Canberra Health Services	Unmodified	Unmodified
Chief Minister, Treasury and Economic Development Directorate	Unmodified	Unmodified
Community Services Directorate	Unmodified	Unmodified
Education Directorate	Unmodified	Unmodified
Environment, Planning and Sustainable Development Directorate	Unmodified	Unmodified
Housing ACT	Unmodified	Unmodified
Justice and Community Safety Directorate	Unmodified	Unmodified
Lifetime Care and Support Fund	Unmodified	Unmodified
Major Projects Canberra	Unmodified	Unmodified
Office of the Legislative Assembly	Unmodified	Not applicable
Public Sector Workers Compensation Fund	Unmodified	Unmodified
Superannuation Provision Account	Unmodified	Unmodified
Territory Banking Account	Unmodified	Unmodified
Transport Canberra and City Services Directorate	Unmodified	Unmodified
Transport Canberra Operations	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	Unmodified
Long Service Leave Authority	Unmodified	Unmodified
Motor Accident Injuries Commission	Unmodified	Unmodified
Office of the Work Health and Safety Commissioner	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</i> - National Projects	Unmodified	Not applicable
Commonwealth funding under the <i>National Land Transport Act 2014</i> - Roads to Recovery	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
Disaster recovery funding under the Commonwealth Government's <i>Disaster Recovery Funding Arrangements 2018</i>	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 *Financial Management Act 1996* requires the Audit Office to audit the financial statements of the Territory and ACT Government directorates and authorities.
- 2.2 Audits of other reporting agencies' financial statements are performed under various legislation or reporting requirements, such as the *Corporations Act 2001*, joint venture agreements, the *Australian Charities and Not-for-profits Commission Act 2012*, trust deeds and Commonwealth Government funding agreements.
- 2.3 The Auditor-General provides an independent auditor's report which includes an opinion on whether the reporting agency's financial statements provide, in all material respects, a true and fair view of the financial position and financial performance of the reporting agency for the reporting period and are presented in accordance with the Australian Accounting Standards including other relevant reporting and disclosure requirements.
- 2.4 Where it is concluded that the financial statements meet these requirements an unmodified auditor's report is provided on the financial statements. Where these requirements are not met a modified auditor's report is issued on the financial statements.
- 2.5 The Audit Office assesses the quality and timeliness of the financial statements submitted by reporting agencies for audit to provide an overall picture of the effectiveness of the reporting arrangements implemented by reporting agencies.

Overall finding

In 2021-22, unmodified auditor's reports were issued by the Audit Office on all except for one of the financial statements prepared by reporting agencies as they materially complied with the relevant accounting and financial reporting requirements and presented, in all material respects, 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 on the 2021-22 financial statements of the Cemeteries and Crematoria Authority.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit remained high with 94 percent of financial statements prepared by reporting agencies rated as good or satisfactory.

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

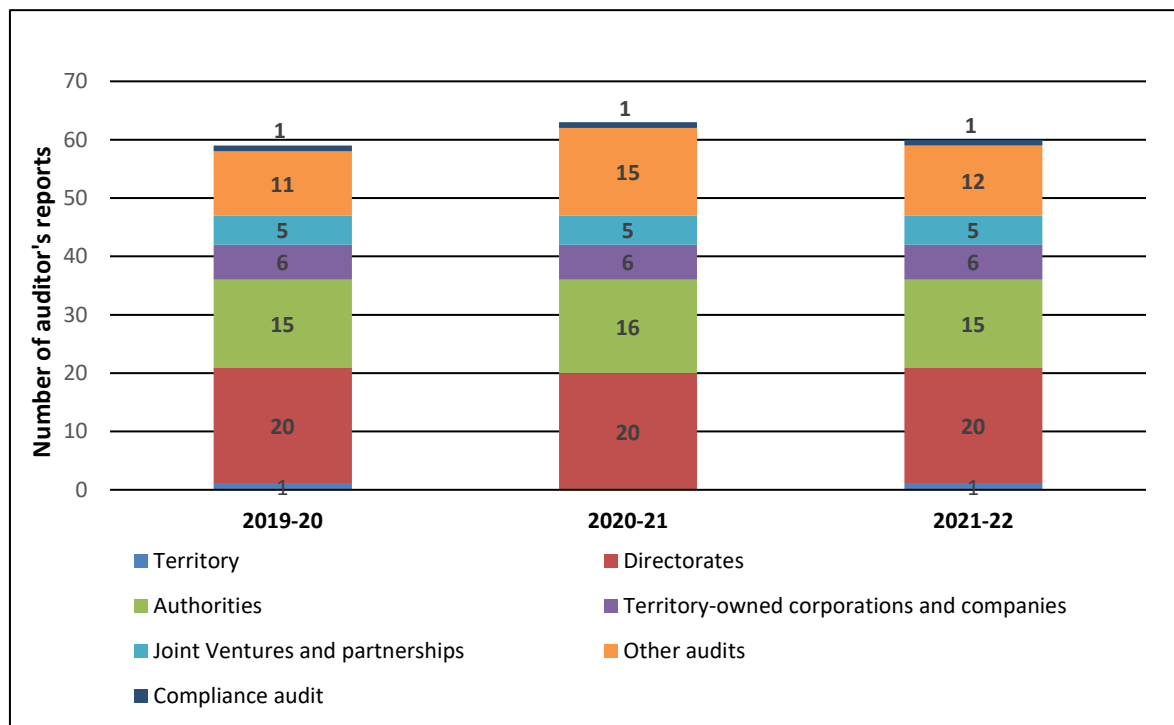
Key findings

	Paragraph
The Audit Office issued unmodified auditor's reports on all except for one of the financial statements prepared by reporting agencies as they materially complied with the relevant accounting and financial reporting requirements and presented, in all material respects, a true and fair view of the financial performance and position of the reporting agencies.	2.8
One modified auditor's report with an adverse opinion was issued on the 2021-22 financial statements of the Cemeteries and Crematoria Authority (Authority) as it did not recognise, measure and disclose an estimated provision for future maintenance (liability) of approximately \$45.2 million; nor recognised and disclosed \$10.9 million in funds (asset) within the Perpetual Care Trust as at 30 June 2022. The impact of this was assessed as both material and pervasive to the financial statements. Therefore, the auditor's report stated that the financial statements did not:	2.9
<ul style="list-style-type: none"> • present fairly, in all material respects, the Authority's financial position as at 30 June 2022, 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 do they comply with Australian Accounting Standards. 	
The Audit Office also issued an unmodified compliance auditor's report on the Public Trustee and Guardian's compliance with the <i>Taxation Administration (Public Ancillary Fund) Guidelines 2022</i> for the Capital Region Community Foundation Gift Fund.	2.10
The overall quality of financial statements submitted to the Audit Office by reporting agencies remained high and slightly improved in 2021-22. The combined percentage of financial statements submitted for audit assessed as good or satisfactory in 2021-22 was 94 percent (50 of 53 ⁴) compared to 89 percent (47 of 53) in 2020-21.	2.13
All reporting agencies provided their financial statements to the Audit Office in accordance with the whole of government reporting timetable.	2.22

⁴ The quality of six of the 59 reporting entities' financial statements is not assessed by the Audit Office as they relate mainly to acquittal audits for which agencies don't prepare the full set of financial statements.

Auditor's reports

Figure 2-1 Number of auditor's reports

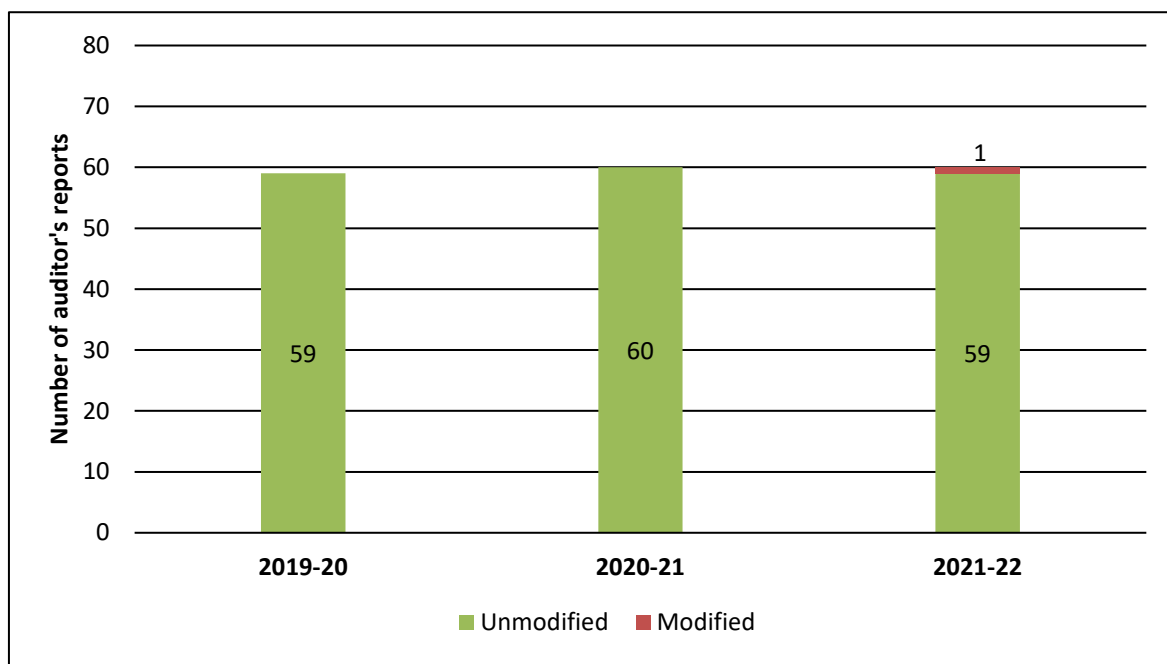


2.6 The Audit Office completed 60 audits in 2021-22 comprising 59 financial statements audits and one compliance audit. These included the financial statements audits of 20 directorates, 15 authorities, 6 territory-owned corporations and companies, 5 joint ventures and partnerships, 12 other audits, and the Territory's consolidated annual financial statements. One compliance audit related to the Public Trustee and Guardian's compliance with the *Taxation Administration (Public Ancillary Fund) Guidelines 2022* for the Capital Region Community Foundation Gift Fund was also completed during the year. A listing of the audits is included in Table 1-1 in Chapter 1.

2.7 There were fewer auditor's reports issued in 2021-22 (60) than in 2020-21 (63). This decrease was mainly due to the following audits not required in 2021-22:

- ACT Teacher Quality Institute (as the audit was performed as a one-off in 2020-21 at the request of the Institute);
- ACT Veterinary Surgeons Board (as the audit is performed triennially and was last performed in 2020-21);
- Canberra Business Development Fund (as it was wound up); and
- Gungahlin Cemetery, Woden Cemetery, Woden Mausoleum, and Hall Cemetery Perpetual Care Trusts (due to changes to reporting requirements under the *Cemeteries and Crematoria Act 2020*).

Figure 2-2 Types of auditor's reports



- 2.8 In 2021-22, the Audit Office issued unmodified auditor's reports on all except for one of the financial statements prepared by reporting agencies as they materially complied with the relevant accounting and financial reporting requirements and presented, in all material respects, a true and fair view of the financial performance and position of the reporting agencies.
- 2.9 One modified auditor's report with an adverse opinion was issued on the 2021-22 financial statements of the Cemeteries and Crematoria Authority (Authority) as it did not recognise, measure and disclose an estimated provision for future maintenance (liability) of approximately \$45.2 million; nor recognised and disclosed \$10.9 million in funds (asset) within the Perpetual Care Trust as at 30 June 2022. The impact of this was assessed as both 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 2022, and its financial performance and cash flows for the year then ended; and
 - present in accordance with the *Financial Management Act 1996* nor do they comply with Australian Accounting Standards.
- 2.10 The Audit Office also issued an unmodified compliance auditor's report on the Public Trustee and Guardian's compliance with the *Taxation Administration (Public Ancillary Fund) Guidelines 2022* for the Capital Region Community Foundation Gift Fund.

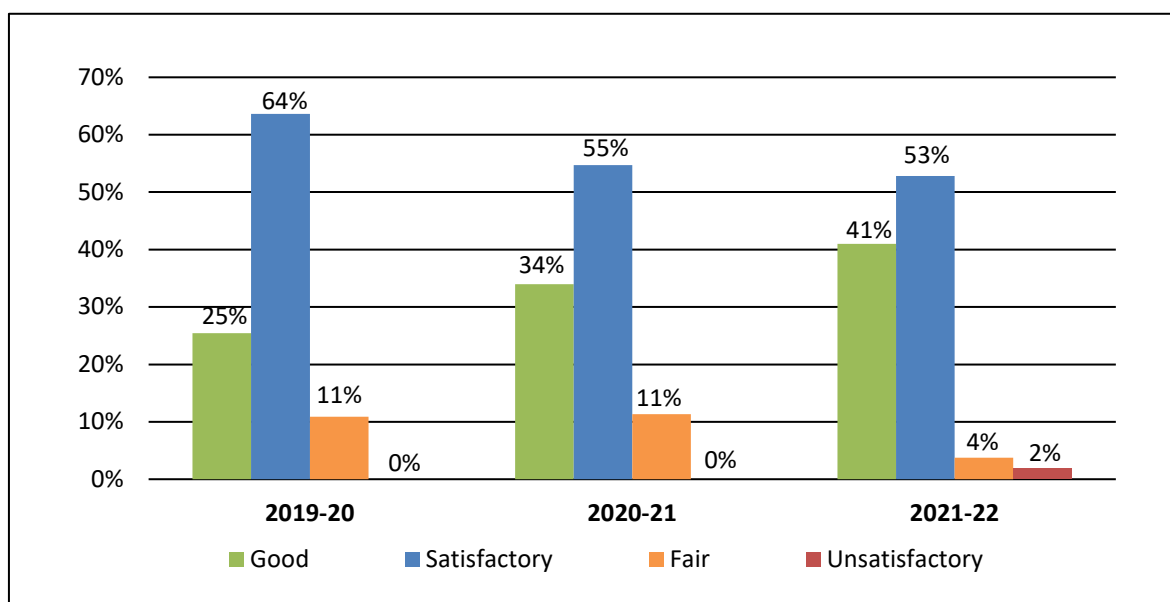
Quality of financial statements

2.11 An unmodified auditor’s report may be issued on a reporting agency’s financial statements expressing a true and fair view of the financial results, however, as the financial statements are often corrected during the audit process an unmodified auditor’s report does not mean the:

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

2.12 The Audit Office assesses the quality of the financial statements submitted for audit using the rating criteria shown in *Appendix A: Key Terms and Rating Criteria*, to provide information on the effectiveness of the financial reporting 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 remained high and slightly improved in 2021-22. The combined percentage of financial statements submitted for audit assessed as good or satisfactory in 2021-22 was 94 percent (50 of 53⁵) compared to 89 percent (47 of 53) in 2020-21.

⁵ The quality of six of the 59 reporting entities’ financial statements is not assessed by the Audit Office as they relate mainly to acquittal audits for which agencies don’t prepare the full set of financial statements.

- 2.14 The 22 financial statements (41 percent) that were rated as good in 2021-22 contained no errors in the reported results and required only minor editorial changes to disclosures. This is an improvement from 2020-21 when 18 (34 percent) of the reporting agencies financial statements submitted for audit were rated as good.
- 2.15 In 2021-22, 28 (53 percent) of the financial statements were rated as satisfactory as they contained a few errors in the reported results that needed correcting along with some improvements to the notes and disclosures.
- 2.16 Two financial statements (4 percent) of reporting agencies were rated as fair in 2021-22. These financial statements were of a borderline quality as they contained multiple errors in reported results and needed improvements to accounting policies, disclosures or the presentation of information in their financial statements to bring them up to an acceptable standard before the auditor's report was issued.
- 2.17 One reporting agency's financial statements (2 percent) was rated as unsatisfactory in 2021-22. The Audit Office will typically rate financial statements submitted for audit as unsatisfactory where there are numerous errors in reported amounts, the financial statements are incomplete and where significant changes are required to disclosures and the presentation of information.
- 2.18 Where the financial statements of a reporting agency are rated as unsatisfactory, the Audit Office will make recommendations in the relevant agency's audit management report on how to improve reporting. This report is provided to the agency head or governing board and the responsible Minister.

Timeliness of financial statements

- 2.19 A whole of government reporting timetable is issued each year by the Chief Minister, Treasury and Economic Development Directorate for reporting agencies that prepare financial statements under the *Financial Management Act 1996* with a reporting period ending 30 June. This reporting timetable includes the dates by which these reporting agencies are required to submit their financial statements to the Audit Office.
- 2.20 Reporting agencies are required to comply with this timetable so the financial statements of the Territory can be prepared and audited within the timeframe set out by the *Financial Management Act 1996*.
- 2.21 The timetable also allows agencies to compile and complete their annual reports, which includes their audited financial statements and auditor's report, in accordance with the publication and tabling requirements of the Annual Report Directions under the *Annual Reports (Government Agencies) Act 2004*.
- 2.22 All reporting agencies provided their financial statements to the Audit Office in accordance with the whole of government reporting timetable.

3 RESULTS OF STATEMENTS OF PERFORMANCE LIMITED ASSURANCE ENGAGEMENTS

Introduction

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

Overall finding

No modified limited assurance reports were issued in 2021-22 from the Audit Office's limited assurance engagements for reporting agencies' statements of performance which indicated that reported results were materially correct and able to be independently verified. However, the limited assurance reports of two agencies contained an emphasis of matter paragraph indicating they did not measure the results of all accountability indicators as required by the *Financial Management Act 1996* due to the COVID-19 pandemic.

The overall quality of statements of performance submitted by reporting agencies to the Audit Office remained high in 2021-22 with 97 percent (29 of 30) of statements of performance prepared by reporting agencies rated as good or satisfactory.

Reporting agencies' compliance with the whole of government reporting timetable for providing their statements of performance to the Audit Office significantly improved as all reporting agencies provided their statements of performance to the Audit Office in accordance with the whole of government reporting timetable.

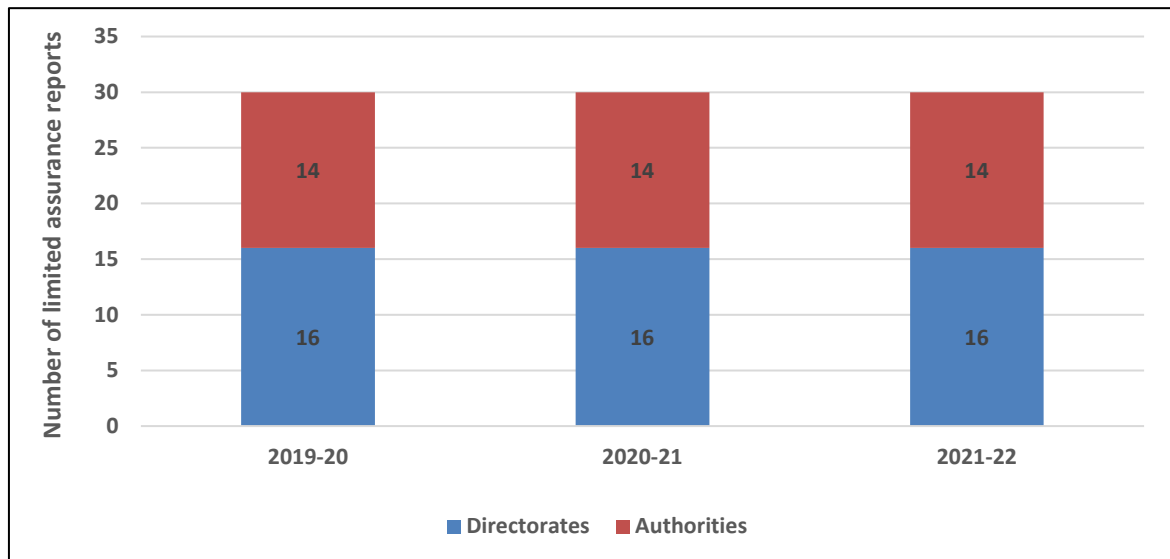
Key findings

	Paragraph
No modified limited assurance reports were issued in 2021-22. No matters were identified which would indicate the reported results of the accountability indicators included in reporting agencies' statements of performance were not materially correct or could not be independently verified following the limited assurance engagements.	3.7
However, the limited assurance reports issued on the statements of performance of the Chief Minister, Treasury and Economic Development Directorate, and Transport Canberra and City Services Directorate included an emphasis of matter paragraph because these reporting agencies did not measure results of one of their accountability indicators as required by the <i>Financial Management Act 1996</i> . These reporting agencies advised that they were unable to measure results of those accountability indicators due to the COVID-19 pandemic.	3.8
The overall quality of statements of performance submitted by reporting agencies to the Audit Office remained high and slightly improved in 2021-22. The percentage of statements of performance rated by the Audit Office as good or satisfactory was 97 percent (29 of 30) in 2021-22 compared to 94 percent (28 of 30) in 2020-21.	3.12
Reporting agencies' compliance with the whole of government reporting timetable for providing their statements of performance to the Audit Office significantly improved in 2021-22 as all 29 ⁶ agencies complied with the reporting timetable compared to 90 percent (26 of 29) in 2020-21.	3.19

⁶ One of the reporting agencies' statement of performance was prepared for the 31 December 2021 reporting period and therefore is not required to comply with the whole of government reporting timetable.

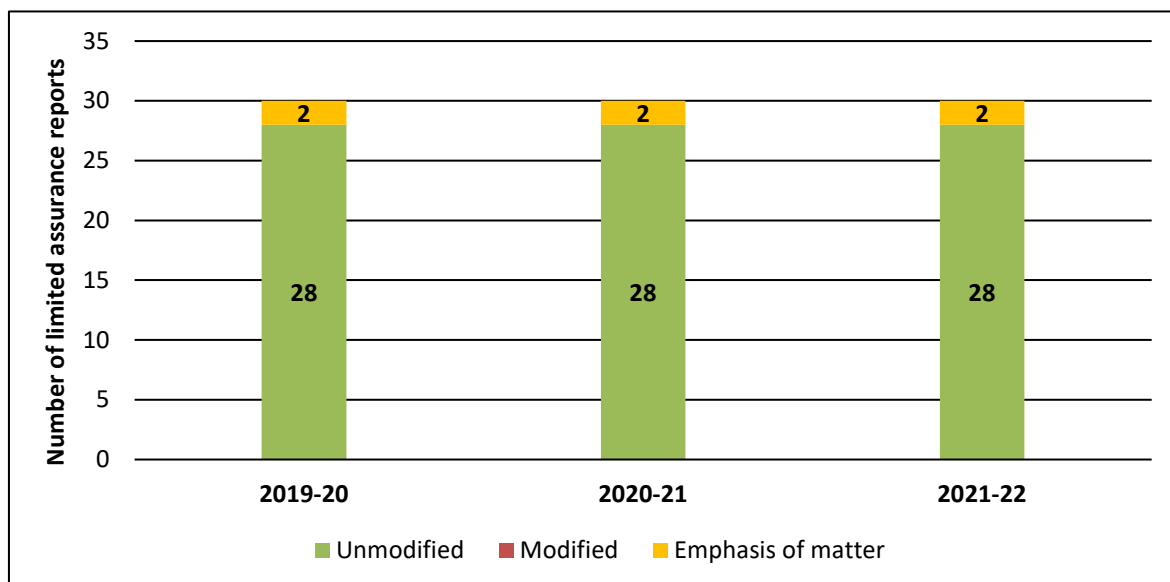
Limited assurance reports

Figure 3-1 Number of limited assurance reports



3.6 The Audit Office provided limited assurance reports on the statements of performance of 30 reporting agencies during 2021-22 including for 16 directorates and 14 authorities as shown in Figure 3-1 above. The list of these agencies is included in Table 1-1 in Chapter 1.

Figure 3-2 Types of limited assurance reports



3.7 No modified limited assurance reports were issued in 2021-22. No matters were identified which would indicate the reported results of the accountability indicators included in reporting agencies' statements of performance were not materially correct or could not be independently verified following the limited assurance engagements.

3.8 However, the limited assurance reports issued on the statements of performance of the Chief Minister, Treasury and Economic Development Directorate, and Transport Canberra and City Services Directorate included an emphasis of matter paragraph because these reporting agencies did not measure results of one of their accountability indicators as required by the *Financial Management Act 1996*. These reporting agencies advised that they were unable to measure results of those accountability indicators due to the COVID-19 pandemic.

Quality of statements of performance

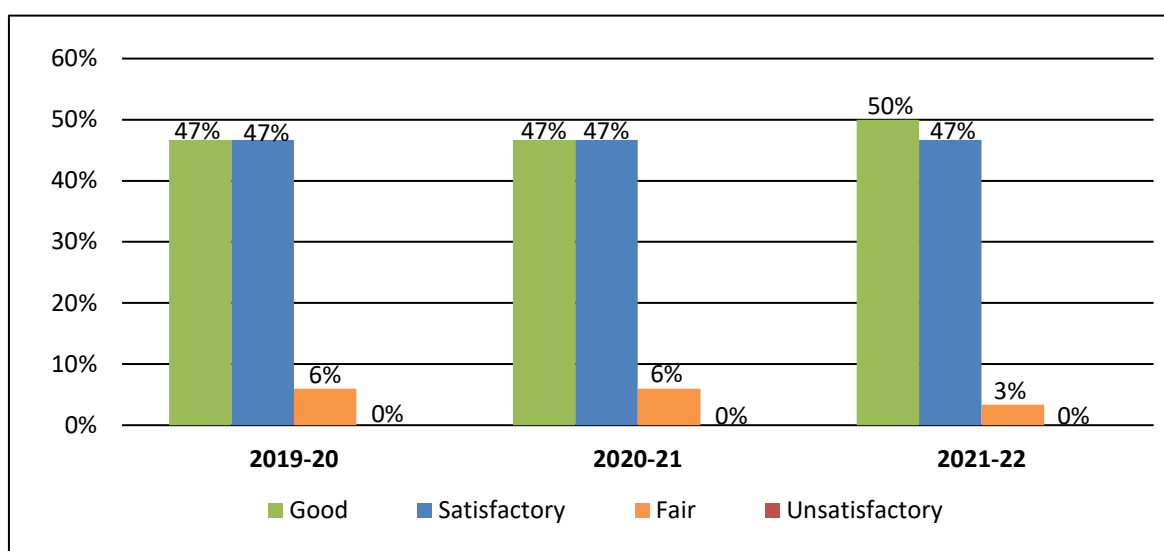
3.9 An unmodified limited assurance report may be issued at the end of the limited assurance engagement providing a positive conclusion on the accuracy of the reported results of the accountability indicators in the statement of performance.

3.10 However, as changes are often made to the statements of performance before the limited assurance report is issued an unmodified limited assurance report does not mean the:

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

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

Figure 3-3 Quality of statements of performance



- 3.12 The overall quality of statements of performance submitted by reporting agencies to the Audit Office remained high and slightly improved in 2021-22. The percentage of statements of performance rated by the Audit Office as good or satisfactory was 97 percent (29 of 30) in 2021-22 compared to 94 percent (28 of 30) in 2020-21.
- 3.13 The Audit Office rated 15 (50 percent) statements of performance submitted by reporting agencies as good in 2021-22 as there were no errors identified in the reported results of the accountability indicators and minimal, mostly editorial changes were required to disclosures.
- 3.14 The statements of performance of 14 (47 percent) reporting agencies were rated as satisfactory as the reported results of the accountability indicators contained a few errors and needed minor improvements to disclosures, including variance explanations or explanatory information about the accountability indicators.
- 3.15 The Audit Office rated the statement of performance of one (3 percent) reporting agency as fair as it required several corrections to the reported results and improvements to the disclosures in order to bring it up to an acceptable standard before the limited assurance report was issued.
- 3.16 No statements of performance were rated as unsatisfactory in 2021-22. The Audit Office will rate statements of performance as unsatisfactory where there are a number of errors in the reported results and significant changes are required to disclosures and explanatory information. Where the statement of performance is rated as unsatisfactory recommendations are provided in the reporting agencies' audit management report to improve the reporting processes used. The audit management report is also 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 includes the date reporting agencies are required to submit their statements of performance to the Audit Office.
- 3.18 Compliance with the timetable is required so agencies have time to prepare and complete their annual reports, which includes their statement of performance and the limited assurance report on the statement of performance, in accordance with the Annual Report Directions issued under the *Annual Reports (Government Agencies) Act 2004*.
- 3.19 Reporting agencies' compliance with the whole of government reporting timetable for providing their statements of performance to the Audit Office significantly improved in 2021-22 as all 29⁷ agencies complied with the reporting timetable compared to 90 percent (26 of 29) in 2020-21.

⁷ One of the reporting agencies' statement of performance was prepared for the 31 December 2021 reporting period and therefore is not required to comply with the whole of government reporting timetable.

4 ANNUAL REPORTS

Introduction

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

Overall finding

All 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.

Key findings

	Paragraph
All reporting agencies included accurate and complete 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
All except two reporting agencies complied with the requirements of the Annual Reports 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 day it was tabled in the ACT Legislative Assembly. The two agencies that were late, placed their annual report on their website within three working days after the due date.	4.7

Responsibilities

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

Financial and performance information in annual reports

- 4.6 All reporting agencies included accurate and complete 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.

Timeliness of annual reports

- 4.7 All except two reporting agencies complied with the requirements of 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 day it was tabled in the ACT Legislative Assembly. The two agencies that were late, placed 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 may include an emphasis of matter paragraph where the reporting agency has not complied with the requirements of the *Financial Management Act 1996* to establish accountability indicators and targets, or measure a result, for one or more of its accountability indicators.

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

Materiality

In assessing whether information included in financial statements or 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.

Audit reports

Reports Published in 2021-22	
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
Report No. 13 – 2021	Campbell Primary School Modernisation Project Procurement
Report No. 12 – 2021	2020-21 Financial Audits – Financial Results and Audit Findings
Report No. 11 – 2021	Digital Records Management
Report No. 10 – 2021	2020-21 Financial Audits Overview
Report No. 09 – 2021	Annual Report 2020-21
Report No. 08 – 2021	Canberra Light Rail Stage 2a: Economic Analysis
Reports Published in 2020-21	
Report No. 07 – 2021	Procurement Exemptions and Value for Money
Report No. 06 – 2021	Teaching Quality in ACT Public Schools
Report No. 05 – 2021	Management of Closed-Circuit Television Systems
Report No. 04 – 2021	ACT Government's vehicle emissions reduction activities
Report No. 03 – 2021	Court Transport Unit Vehicle – Romeo 5
Report No. 02 – 2021	Total Facilities Management Contract Implementation
Report No. 01 – 2021	Land Management Agreements
Report No. 10 – 2020	2019-20 Financial Audit – Financial Results and Audit Findings
Report No. 09 – 2020	2019-20 Financial Audits Overview
Report No. 08 – 2020	Annual Report 2019-20

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