

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

**2023-24 Financial Audits
Financial Results and Audit Findings**

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The ACT Audit Office acknowledges and respects their continuing culture and the contribution they make to the life of this city and this region.

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The support of Axiom Associates Pty Ltd, BellchambersBarrett, Cumpston Sarjeant Pty Limited, Deloitte Touche Tohmatsu, Ernst & Young, GAAP Consulting, Justin Reid Consulting, O'Connor Marsden & Associates and RSM Australia is appreciated.

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

Dear Speaker

I am pleased to forward to you a Financial Audit Report titled '2023-24 Financial Audits - Financial Results and Audit Findings' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Michael Harris
Auditor-General
12 December 2024

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Summary

Understanding the financial statements of the Australian Capital Territory Government (Territory) is important as they provide essential information to the ACT Legislative Assembly and community about the:

- financial performance and financial position of the Territory;
- capacity of the Territory to meet its financial obligations as they fall due; and
- financial impact and sustainability of the Territory's policies and strategies over time.

This report includes a discussion of the financial results of the Territory and reporting agencies that significantly affect these results for the year ended 30 June 2024, new audit findings identified during the audits and an update on progress made by reporting agencies in resolving previously reported audit findings. This includes audit findings relating to information technology general controls over computer information systems used by agencies as well as the controls over agency-specific major financial applications used by reporting agencies to prepare their financial statements.

This is the second of the two audit reports on 2023-24 financial audits. The first audit report '2023-24 Financial Audits – Overview' (Report No. 09/2024) was tabled in the ACT Legislative Assembly on 7 November 2024.

Explanations of the key terms used in this report are included in Appendix A.

Conclusions

The Territory's financial statements

An unmodified auditor's report was issued on the Territory's 2023-24 financial statements indicating that the financial statements present a true and fair view of the Territory's financial position and results of its operations.

The Territory incurred a net operating balance deficit of \$1 220 million in 2023-24 which means that the Territory's expenses exceeded its revenue by \$1 220 million. This was \$426 million higher than the deficit anticipated in the budget. The Territory estimates net operating balance deficits will continue to be incurred for the next four years as expenses are forecasted to continue to exceed revenue.

After adjusting for other economic impacts, mainly in relation to gains on investments, the Territory's operating deficit in 2023-24 of \$659 million was higher than the budgeted operating deficit of \$582 million.

Apart from a small operating surplus in 2020-21, the Territory has incurred operating deficits since 2019-20. The Territory estimates operating deficits will continue to be incurred over the next four years. The Territory will need to fund these deficits using cash reserves or borrowings. Continued operating deficits may be manageable in the medium term but are not sustainable on a continuing basis over the longer term and will therefore need to be carefully managed by the Territory.

The Territory's borrowings increased by \$1 914 million (19 percent) to \$11 783 million in 2024 mainly to provide further funding for investment in major infrastructure. Borrowings and associated interest expenses have significantly increased over the last four years. Since 2020, borrowings have increased by \$4 443 million (61 percent) to \$11 783 million and interest expenses have almost doubled with an increase of \$175 million (77 percent) to \$403 million.

By 2028, borrowings are projected to increase by a further \$6 622 million (56 percent) to \$18 405 million. As a result, interest expenses are projected to increase over this period by \$452 million (112 percent) to \$855 million making up over 8 percent of the Territory's total expenses by 2028.

The Territory had a strong capacity to pay its liabilities that are due within 12 months at 30 June 2024, and this is expected to remain strong over the next four years.

Audit findings

The total number of audit findings reported in 2023-24 was 43 and included 24 (56 percent) new audit findings identified this year. Agencies resolved 32 of 51 (63 percent) of the previously reported audit findings during the year, an increase of around 10 percent from the previous

two financial years. Nineteen of the previously reported audit findings were either partially resolved (12) or not resolved (7) this year.

Over half of the total reported audit findings (25 out of 43 or 58 percent) related to deficiencies in internal controls and this number has gradually increased over the last two years. Meanwhile, there was a reduction in audit findings related to both reporting practices and governance issues compared to the previous years. This indicates that agencies have strengthened their governance and reporting practices, but further work is required by agencies to improve the effectiveness of their internal controls supporting various key financial and application processes.

Computer information systems

The Audit Office assessed controls over computer information systems used by agencies to prepare their financial statements as satisfactory for the purposes of issuing the auditor's reports on ACT Government agencies' financial statements. This means that these controls provide reasonable assurance that the information reported by agencies in their financial statements from these systems is reliable, accurate and complete.

There are however control weaknesses in the information technology general controls and major financial applications used by agencies that need to be addressed to further reduce the risk of errors and fraud in their financial information, unauthorised access to sensitive information, and cyber security attacks.

Two of the 4 previously reported audit findings on general controls were resolved with 3 new audit findings identified resulting in a total of 5 audit findings to be addressed at the end of 2023-24.

Two of the 7 previously reported audit findings on major financial applications were resolved with a substantial number of new audit findings (39) identified resulting in a total of 44 audit findings to be addressed at the end of 2023-24.

The Digital, Data, and Technology Solutions, Shared Services and the relevant agencies have agreed to address the remaining audit findings.

1 The Territory's financial statements

- 1.1 The Australian Capital Territory Government's consolidated annual financial statements (Territory's financial statements) includes the financial results of:
 - ACT Government directorates;
 - Territory authorities;
 - companies controlled by the Territory; and
 - the Territory's share of joint ventures such as the ActewAGL Joint Venture and land joint ventures.
- 1.2 The above entities are collectively referred to as reporting agencies and are combined to form the Territory's financial statements. There are 35 reporting agencies for the 2023-24 reporting period and they are listed in Appendix B.
- 1.3 The key financial results from the Territory's audited 2023-24 financial statements are summarised in this chapter. This includes a discussion on:
 - key operating results represented by the net operating balance and operating result ((deficit)/surplus). These provide an indication of the financial sustainability of the ACT Government's strategies and policies, particularly when assessed over time;
 - long-term financial position represented by the net assets and unfunded liabilities. This provides an indication of the Territory's capacity to meet its financial obligations over the period longer than 12 months; and
 - short-term financial position represented by the net short-term assets. This provides an indication of the Territory's capacity to meet its financial obligations over the next 12 months.
- 1.4 This chapter also includes estimated financial results for the period from 2024-25 to 2027-28 included in the 2024-25 Budget Papers.

Conclusion

An unmodified auditor's report was issued on the Territory's 2023-24 financial statements indicating that the financial statements present a true and fair view of the Territory's financial position and results of its operations.

The Territory incurred a net operating balance deficit of \$1 220 million in 2023-24 which means that the Territory's expenses exceeded its revenue by \$1 220 million. This was \$426 million higher than the deficit anticipated in the budget. The Territory estimates net operating balance deficits will continue to be incurred for the next four years as expenses are forecasted to continue to exceed revenue.

After adjusting for other economic impacts, mainly in relation to gains on investments, the Territory's operating deficit in 2023-24 of \$659 million was higher than the budgeted operating deficit of \$582 million.

Apart from a small operating surplus in 2020-21, the Territory has incurred operating deficits since 2019-20. The Territory estimates operating deficits will continue to be incurred over the next four years. The Territory will need to fund these deficits using cash reserves or borrowings. Continued operating deficits may be manageable in the medium term but are not sustainable on a continuing basis over the longer term and will therefore need to be carefully managed by the Territory.

The Territory's borrowings increased by \$1 914 million (19 percent) to \$11 783 million in 2024 mainly to provide further funding for investment in major infrastructure.

Borrowings and associated interest expenses have significantly increased over the last four years. Since 2020, borrowings have increased by \$4 443 million (61 percent) to \$11 783 million and interest expenses have almost doubled with an increase of \$175 million (77 percent) to \$403 million. By 2028, borrowings are projected to increase by a further 56 percent to \$18 405 million and interest expenses are projected to increase by 112 percent to \$855 million. As a result, interest expenses are estimated to make up almost 8 percent of the Territory's total expenses by 2028.

The Territory had a strong capacity to pay its liabilities that are due within 12 months at 30 June 2024 and this is expected to remain strong over the next four years.

Summary

Net operating balance

A net operating balance deficit of \$1 220 million was incurred by the Territory in 2023-24 as the cost of services delivered by the ACT Government (\$9 184 million) exceeded its revenue (\$7 964 million).

The net operating balance deficit (\$1 220 million) was greater than the budgeted deficit (\$794 million) by \$426 million (54 percent) mainly due to higher than expected employee and other expenses and lower than expected revenue from land sales and payroll taxes.

The Territory estimates net operating balance deficits will continue to be incurred over the next four years which are expected to decline from \$1 034 million in 2024-25 to \$304 million by 2027-28. This means that the cost of delivering public services is expected to continue to exceed projected revenue over this period.

Operating results

The Territory incurred an operating deficit of \$659 million in 2023-24 compared to the budgeted operating deficit of \$582 million mainly due to the deficit in the net operating balance only being partially offset by the higher than budgeted gains on financial assets resulting from stronger than anticipated returns from investment markets.

Apart from a small operating surplus in 2020-21, the Territory has incurred operating deficits since 2019-20. The Territory estimates operating deficits will continue to be incurred for the next four years as income from other economic flows such as land revenue and gains on financial assets are projected to be insufficient to offset the deficit in the net operating balance. This means the Territory will need to fund these deficits from cash reserves or borrowings. Continued operating deficits may be manageable in the medium term but are not sustainable on a continuing basis over the longer term and will therefore need to be carefully managed by the Territory.

Financial position

The net assets of the Territory at 30 June 2024 (\$21 661 million) were \$991 million (5 percent) higher than budgeted (\$20 670 million) mainly due to the increase in the value of infrastructure and buildings from revaluation and the completion of various capital work projects.

The Territory's borrowings increased in 2024 by \$1 914 million (19 percent) to \$11 783 million mainly to provide further funding for investment in major infrastructure. Borrowings and interest expenses have significantly increased over the last four years. Since 2020, borrowings have increased by \$4 443 million (61 percent) to \$11 783 million in 2024 and interest expenses have increased by \$175 million (77 percent) to \$403 million in 2024.

Total borrowings are projected to increase by a further \$6 622 million (56 percent) to \$18 405 million by 2028 and interest expenses are projected to increase by \$452 million (112 percent) to \$855 million in 2027-28. As a result, interest expenses are projected to make up almost 8 percent of the Territory's total expenses by 2027-28.

The Territory has a strong net short-term asset position at 30 June 2024 with approximately \$1.50 in short-term assets to meet each \$1.00 of its short-term liabilities (\$1.60 at 30 June 2023). The Territory expects the short-term asset position to remain strong over the next four years.

Operating results

Table 1-1 Operating results

	Actual 2019-20 \$m	Actual 2020-21 \$m	Actual 2021-22 \$m	Actual 2022-23 \$m	Actual 2023-24 \$m	Budget 2023-24 \$m
Revenue	5 850	6 676	7 377	7 580*	7 964	8 113
Expenses	(6 811)	(7 334)	(8 299)	(8 497)	(9 184)	(8 907)
Net operating balance deficit	(961)	(658)	(923)	(917) *	(1 220)	(794)
Other economic (outflows)/inflows	(6)	781	(298)	439	561	212
Operating (deficit)/surplus	(967)	123	(1 220)	(478) *	(659)	(582)

* Revenue has been retrospectively restated to correct an overstatement of \$25 million in taxation revenue.

1.5 Table 1-1 outlines the Territory's net operating balance and operating results for the period from 2019-20 to 2023-24 and budgeted operating result for 2023-24.

1.6 The Territory's main sources of revenue are:

- Commonwealth Government grants, relating to a share of the national GST revenue pool and funding received to provide healthcare, education, skills and workforce development, and affordable housing;
- taxation, mainly relating to rates, conveyancing duties and payroll tax;
- sales of goods and services, mainly relating to water supply and sewerage services, hospital and other health related services including services provided under cross-border (interstate) arrangements and regulatory services fees and fines, and fees from venue and equipment hire, event management, sports matches, bus fares, etc; and
- land revenue (value-add component). This is the increase in the value of land resulting from development work undertaken by the Territory to prepare land for sale, mainly at newly established suburbs in the Territory.

1.7 The Territory's expenses are mainly comprised of employee and superannuation expenses, grants and purchased services, supplies and services, and depreciation and amortisation.

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

1.9 The operating result is the sum of the net operating balance and other economic flows.

1.10 Other economic flows mainly include:

- net gain/(loss) on financial assets and liabilities at fair value reflecting changes in market conditions that affect the value of investments;
- land revenue (market gains on land sales). This is an estimate of the profit from land sales due to market price increases;
- net land revenue (undeveloped land value). This is an estimate of the value of the land to the Territory at the time a decision is made to progress a development; and
- net gain/(loss) on the sale/(disposal) of non-financial assets.

2023-24 operating result compared to budget estimates

Net operating balance

1.11 The net operating balance deficit (\$1 220 million) in 2023-24 was higher than the budgeted deficit (\$794 million) by \$426 million (54 percent). This was due to the lower revenue and higher expenses explained below.

1.12 Total revenue (\$7 964 million) was lower than budgeted (\$8 113 million) by \$149 million (2 percent). This was mainly due to:

- lower payroll tax revenue resulting from a change in Commonwealth employment practices from taxable labour hire and contractors to non-taxable direct employment; and
- lower land sales due to less favourable property market conditions including higher interest rates and reduced demand arising from higher home building costs.

1.13 Total expenses (\$9 184 million) were higher than budgeted (\$8 907 million) by \$277 million (3 percent). This was mainly due to higher than expected:

- employee and superannuation expenses of \$223 million due to enterprise bargaining outcomes resulting in higher than expected salary increases, increased staff numbers to address service delivery growth, and additional health staff as a result of the Calvary Hospital acquisition;
- other expenses of \$127 million relating to increased costs of providing ongoing treatment and care of new participants entering the Lifetime Care and Support Scheme, and the recognition of potential civil liabilities associated with institutional child sexual abuse that falls outside of the scope of the National Redress Scheme;
- depreciation of \$26 million due to the upward valuation of property, plant and equipment assets; partially offset by lower
- grants and purchased services expenses of \$82 million as a result of unexpected delays in some grants programs, and lower than expected take up of new interest free loans under the Sustainable Household Scheme.

Operating deficit

- 1.14 The Territory incurred an operating deficit in 2023-24 of \$659 million compared to the budgeted operating deficit of \$582 million. The was mainly due to the higher than anticipated deficit in the net operating balance as discussed previously, partially offset by higher than anticipated gains on financial assets largely due to stronger investment markets.

2023-24 operating result compared to prior year result

Net operating balance

- 1.15 The net operating balance deficit in 2023-24 (\$1 220 million) has increased from the deficit incurred in 2022-23 (\$917 million) by \$303 million (33 percent). This was due to the increase in expenses exceeding the increase in revenue explained below.
- 1.16 The increase in revenue of \$384 million (5 percent) resulted mainly from:
- higher Commonwealth Government grants of \$210 million mainly due to higher GST revenue resulting from an increase in the size and share of GST funding from growth in the national GST pool and increase in the Territory's population;
 - increase in land related revenue (value added component) of \$141 million due to more land settlements than in the prior year;
 - higher sales of goods and services revenue of \$108 million mainly due to higher cross border health revenue due to an increase in interstate residents being treated in ACT public hospitals and additional receipts from the completion of reconciliation of prior years' cross border activity;
 - increase in taxation of \$32 million mainly due to an increase in general rates and land taxes as a result of new residential properties added to the general rates system in 2023-24; partially offset by
 - a decrease in revenue from joint ventures of \$110 million largely due to lower profit from the ActewAGL Joint Venture.
- 1.17 The increase in expenses of \$687 million (8 percent) resulted mainly from an increase in:
- employee and superannuation expenses of \$523 million mainly due to additional health staff as a result of the acquisition of the Calvary Public Hospital, new Enterprise Agreement and increased staff numbers to address service delivery growth;
 - supplies and services expenses of \$199 million mainly due to higher:
 - construction and contractor costs relating to higher usage of visiting medical officers and contract staff in Canberra Health Services largely arising from the acquisition of the Calvary Public Hospital, and higher costs of recycling and household kerbside and green waste collections;
 - communication, travel and staff development costs associated with higher staff numbers; and

- legal expenses mainly relating to the acquisition of the Calvary Public Hospital.

Operating deficit

- 1.18 The Territory incurred an operating deficit of \$659 million in 2023-24 compared with the prior year operating deficit of \$478 million mainly due to the increase of \$303 million in the net operating balance deficit in 2023-24 due to the reasons discussed previously, partially offset by the other economic inflows of \$561 million which were \$122 million higher than the prior year inflows of \$439 million. This was largely as a result of a gain on financial assets at fair value of \$501 million due to improvements in investment markets compared to the prior year gain of \$419 million.

Projected operating results

Table 1-2 Projected operating results

	Actual 2023-24 \$m	Budget 2024-25 \$m	Estimate 2025-26 \$m	Estimate 2026-27 \$m	Estimate 2027-28 \$m
Revenue	7 964	8 601	9 205	9 593	10 206
Expenses	(9 184)	(9 635)	(9 756)	(10 067)	(10 510)
Net operating balance deficit	(1 220)	(1 034)	(551)	(474)	(304)
Other economic inflows	561	330	275	325	295
Operating deficit	(659)	(704)	(276)	(149)	(9)

Source: Territory's 2023-24 financial statements and 2024-25 Budget Papers.

- 1.19 Table 1-2 shows that the Territory estimates net operating balance deficits will continue to be incurred over the next four years. This means that the costs of delivering public services are expected to continue to exceed projected revenue over this period.
- 1.20 As shown in Table 1-1, apart from a small operating result surplus in 2020-21, the Territory has incurred operating deficits since 2019-20. The Territory estimates operating deficits will continue to be incurred for the next four years as income from other economic flows such as land revenue and gains on financial assets are projected to be insufficient to fully offset the deficits in the net operating balance. This means the Territory will need to fund these deficits from cash reserves or borrowings.
- 1.21 Continued operating deficits may be manageable in the medium term but are not sustainable on a continuing basis over the longer term and will therefore need to be carefully managed by the Territory.

Financial position

Table 1-3 Assets and liabilities

At 30 June	Actual 2020 \$m	Actual 2021 \$m	Actual 2022 \$m	Actual 2023 \$m	Actual 2024 \$m	Budget 2024 \$m
Assets						
Financial assets - Note 1	3 863	4 573	5 100	4 245*	4 705	5 072
Property, plant and equipment	25 485	27 445	31 053	31 782	34 039	31 375
Other non-financial assets - Note 2	2 658	2 573	2 749	3 370	3 742	4 390
Total assets	32 006	34 591	38 902	39 397*	42 486	40 837
Liabilities						
Borrowings	7 340	8 329	9 508	9 869	11 783	12 108
Unfunded superannuation - Note 3	7 798	8 313	6 117	5 228	4 508	4 008
Advances received, payables and finance leases	1 138	1 542	1 604	1 582	1 605	1 617
Employee benefits and other provisions	2 001	2 076	2 114	2 385	2 812	2 331
Contract and other liabilities	150	92	97	117	117	103
Total liabilities	18 427	20 352	19 440	19 181	20 825	20 167
Net assets	13 579	14 239	19 462	20 216	21 661	20 670
Ratio of assets to liabilities	1.7:1	1.7:1	2.0:1	2.1:1	2.0:1	2.0:1

Note 1: Financial assets exclude the Territory's investments in joint ventures and superannuation investments.

Note 2: Other non-financial assets include the Territory's investments in joint ventures which are classified as financial assets in the Territory's financial statements.

Note 3: Unfunded superannuation is the amount by which the estimated superannuation liability exceeds superannuation investments.

*Receivables and Accumulated Funds have been retrospectively restated to correct an overstatement of \$25 million in taxation revenue.

1.22 Assets of the Territory are largely comprised of:

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

- 1.23 Liabilities of the Territory largely include unfunded superannuation liabilities, borrowings, lease liabilities, employee benefits and other provisions.
- 1.24 The capacity of the Territory to meet its obligations over the long-term (a period greater than 12 months) can be assessed by evaluating the Territory's net asset position and ratio of assets to liabilities, that is, how much the Territory has in assets to meet its liabilities. It is considered that the Territory should have at least the same amount of assets to meet its liabilities. This can be expressed as a ratio of 1:1. Table 1-3 shows that the Territory has around \$2 in assets to meet each dollar of liabilities at 30 June 2024.
- 1.25 Net assets of the Territory at 30 June 2024 (\$21 661 million) were higher than budgeted (\$20 670 million) by \$991 million (5 percent) mainly due to:
- higher than expected infrastructure and building values of \$2 664 million mainly resulting from the revaluation of the Territory's property, plant and equipment assets; partially offset by
 - lower than expected capital works in progress of \$512 million due to the completion of some capital projects and delays and deferrals in relation to other capital infrastructure works;
 - higher than anticipated unfunded superannuation liabilities of \$500 million from changes in actuarial assumptions used to value the liability at the year end; and
 - higher than anticipated other provisions of \$435 million mainly relating to costs for the completion of land development projects, the Calvary Public Hospital acquisition, legal settlement in relation to unpaid overtime, future insurance claims, historical sexual abuse claims, restoration of contaminated buildings at the Canberra Institute of Technology Reid Campus, lifetime care and support fund participants' treatment and care, and maintenance of closed cemeteries facilities.
- 1.26 Net assets of the Territory at 30 June 2024 (\$21 661 million) were higher than at 30 June 2023 (\$20 216 million) by \$1 445 million (7 percent). This was mainly due to an increase in:
- property, plant and equipment of \$2 257 million from revaluation of infrastructure assets, sportsgrounds and open public spaces, and buildings largely due to higher land values and increased construction and material costs;
 - investments and loans of \$772 million reflecting higher investment levels and market gains for the year;
 - capital works in progress of \$397 million mainly relating to the new Taylor High School, expansion of Margaret Hendry Primary School and Garran Primary School, and the new Woden bus depot and other road related infrastructure projects such as Molonglo River Bridge, Better connection between Belconnen and Gungahlin and the Monaro Highway-Lanyon Drive interchange; partially offset by an increase in
 - other borrowings of \$1 914 million largely due to the school, road and transport related capital projects as discussed previously; and

- provisions of \$301 million largely due to the same reasons as provided in the comparison to budget above.

Unfunded liabilities

Table 1-4 Unfunded liabilities

At 30 June	Actual 2020 \$m	Actual 2021 \$m	Actual 2022 \$m	Actual 2023 \$m	Actual 2024 \$m	Budget 2024 \$m
Liabilities						
Unfunded superannuation - Note 1	7 798	8 313	6 117	5 228	4 508	4 008
Borrowings	7 340	8 329	9 508	9 869	11 783	12 108
Advances received, payables and finances leases	1 138	1 542	1 604	1 582	1 605	1 617
Other including employee benefits	2 151	2 168	2 211	2 502	2 929	2 434
Total liabilities	18 427	20 352	19 440	19 181	20 825	20 167
Financial assets - Note 2	3 863	4 573	5 100	4 245*	4 705	5 072
Unfunded liabilities	14 564	15 779	14 340	14 936*	16 120	15 095
Interest expenses - Note 3	228	220	264	334	403	400

Note 1: The unfunded superannuation liability is the amount by which estimated superannuation liabilities exceeds superannuation investments.

Note 2: Financial assets exclude the Territory's investments in joint ventures and superannuation investments.

Note 3: Interest expenses mainly relate to the Territory's borrowings but also includes interest on finance leases.

* Receivables and Accumulated Funds have been retrospectively restated to correct an overstatement of \$25 million in taxation revenue.

1.27 The long-term financial position of the Territory can also be assessed by comparing total liabilities to financial assets as the Territory's short and long-term obligations are primarily funded by its financial assets. This assessment is more conservative than an assessment of the:

- net asset position because it assumes that the Territory's non-financial assets such as schools, hospitals and infrastructure assets are not generally available for sale to meet its liabilities; and
- net debt as this measure does not consider the significant superannuation liability, which makes up almost a third of the Territory's total liabilities.

1.28 Table 1-4 shows that the Territory is in an 'unfunded liability' position, as the Territory's total liabilities exceed its financial assets.

- 1.29 Unfunded liabilities of the Territory at 30 June 2024 (\$16 120 million) were higher than budgeted (\$15 095 million) by \$1 025 million (7 percent) mainly due to the higher than budgeted unfunded superannuation liability as a result of the annual actuarial valuation and the increase in other liabilities largely due to the increase in provisions discussed previously.
- 1.30 Unfunded liabilities of the Territory at 30 June 2024 (\$16 120 million) increased from 30 June 2023 (\$14 936 million) by \$1 184 million (8 percent) mainly due to the increase in the Territory's borrowings and other provisions partially offset by a reduction in the unfunded superannuation liability due to the actuarial valuation.
- 1.31 Table 1-4 also shows that the Territory's borrowings and interest expenses have significantly increased over the last four years. Borrowings have increased by \$4 443 million (61 percent) from \$7 340 million in 2020 to \$11 783 million in 2024 and interest expenses have increased by \$175 million (77 percent) from \$228 million in 2020 to \$403 million in 2024. The borrowings have been mainly used to fund capital expenditure and the ACT Government's COVID-19 pandemic response.

Projected unfunded liabilities

Table 1-5 Projected unfunded liabilities

At 30 June	Actual 2024 \$m	Budget 2025 \$m	Estimate 2026 \$m	Estimate 2027 \$m	Estimate 2028 \$m
Liabilities					
Unfunded superannuation - Note 1	4 508	3 934	3 677	3 361	2 982
Borrowings	11 783	13 462	14 728	17 653	18 405
Advances received, payables and finance leases	1 605	1 541	1 505	1 472	1 435
Other liabilities including employee benefits	2 929	2 688	2 719	2 751	2 871
Total liabilities	20 825	21 625	22 629	25 237	25 693
Financial assets - Note 2	4 705	4 557	4 220	5 816	5 589
Unfunded liabilities	16 120	17 068	18 409	19 421	20 104
Interest expenses - Note 3	403	533	610	727	855

Source: Budget and forward estimates were obtained from the 2024-25 Budget Papers.

Note 1: The unfunded superannuation liability is the amount by which the estimated superannuation liability exceeds superannuation investments.

Note 2: Financial assets exclude the Territory's investments in joint ventures and superannuation investments.

Note 3: Interest expenses mainly relate to the Territory's borrowings but also includes interest on finance leases.

1.32 Table 1-5 shows the Territory's estimated unfunded liabilities over the forward years to 2028. Unfunded liabilities at 30 June 2024 of \$16 120 million are estimated to rise to \$20 104 million by 2028 largely due to an anticipated increase in borrowings of 56 percent from \$11 783 million in 2024 to \$18 405 million by 2028.

1.33 Table 1-5 also shows that the interest expenses mainly associated with the Territory's borrowings are estimated to increase by \$452 million (112 percent) from \$403 million in 2024 to \$855 million in 2028. As a result, interest expenses are projected to make up almost 8 percent of the Territory's total expenses by 2028.

1.34 The unfunded superannuation liability at 30 June 2024 of \$4 508 million is estimated to decrease by \$574 million (13 percent) to \$3 934 million in 2025 and steadily decline over the forward years. The decrease anticipated from 2025 is mainly due to the:

- use of a higher discount rate of 5 percent used to calculate this liability for the purposes of the Budget and forward estimates compared with the rate used for calculating the liability at 30 June 2024 of 4.72 percent; and
- expected favourable market conditions that support the growth of the investment portfolio set aside to meet the liability.

Short-term financial position

Table 1-6 Net short-term assets

At 30 June	Actual 2020 \$m	Actual 2021 \$m	Actual 2022 \$m	Actual 2023 \$m	Actual 2024 \$m	Budget 2024 \$m
Short-term assets - Note 1	3 863	4 573	5 100	4 245*	4 705	5 072
Short-term liabilities - Note 2	1 878	2 512	2 957	2 649	3 206	3 034
Net short-term assets	1 985	2 061	2 143	1 596*	1 499	2 038
Ratio of short-term assets to short-term liabilities	2.1:1	1.8:1	1.7:1	1.6:1*	1.5:1	1.7:1

Note 1: Short-term assets are financial assets and exclude investments in joint ventures and superannuation investments because these assets are not generally available to meet the Territory's short-term liabilities.

Under the *Territory Superannuation Provision Protection Act 2000*, superannuation investments can only be used to make payments related to employee superannuation. For the purposes of this analysis, these investments have been excluded from short-term assets because these investments are not available to meet short-term liabilities.

Note 2: Short-term liabilities are calculated by subtracting current superannuation liabilities from the current liabilities reported in the Territory's financial statements.

* Receivables and Accumulated Funds have been retrospectively restated to correct an overstatement of \$25 million in taxation revenue.

1.35 The Territory's short-term financial position can be assessed by its capacity to meet its financial obligations over the short-term by comparing the Territory's short-term assets available to meet its short-term liabilities. It is considered that the Territory should have at least the same amount of short-term assets to meet its short-term liabilities.

1.36 Table 1-6 shows that the Territory has a strong net short-term asset position of 1.5:1 at 30 June 2024. This means that it has approximately \$1.50 in short-term assets to meet each \$1.0 of its short-term liabilities.

- 1.37 Net short-term assets of the Territory at 30 June 2024 (\$1 499 million) were lower than the Territory's budgeted net short-term assets (\$2 038 million). This is mainly due to the unbudgeted increase in current liabilities, particularly provisions, in relation to the Calvary Public Hospital acquisition, and the provision for civil disputes in relation to unpaid overtime for some staff in Canberra Health Services.

Projected short-term financial position

Table 1-7 Projected net short-term assets

At 30 June	Actual 2024 \$m	Budget 2025 \$m	Estimate 2026 \$m	Estimate 2027 \$m	Estimate 2028 \$m
Short-term assets - Note 1	4 705	4 557	4 220	5 816	5 589
Short-term liabilities - Note 2	3 206	2 598	2 066	3 391	3 126
Net short-term assets	1 499	1 959	2 154	2 425	2 463
Ratio of short-term assets to short-term liabilities	1.5:1	1.8:1	2.0:1	1.7:1	1.8:1

Source: The budget and forward estimates were obtained from the 2024-25 ACT Budget Papers.

Note 1: Short-term assets are financial assets and exclude investments in joint ventures and superannuation investments because these assets are not generally available to meet the Territory's short-term liabilities.

Under the *Territory Superannuation Provision Protection Act 2000*, superannuation investments can only be used to make payments related to employee superannuation. For the purposes of this analysis, these investments have been excluded from short-term assets because these investments are not available to meet short-term liabilities.

Note 2: Short-term liabilities are calculated by subtracting superannuation liabilities from the current liabilities reported in the Territory's financial statements.

- 1.38 Table 1-7 shows that the Territory estimates that its net short-term asset position will remain strong over the next four years.

2 Audit findings

- 2.1 This Chapter provides information on the audit findings identified by the Audit Office during the audit of agencies' financial statements and the limited assurance engagements on their statements of performance.
- 2.2 The Audit Office reports audit findings in an audit management report to those charged with governance of an agency as required by the Australian Auditing Standards. Those charged with governance include Directors-General, Chief Executive Officers, Governing Boards and independent officers of the ACT Legislative Assembly. The Audit Office also provides a copy of the audit management report to respective Internal Audit Committees (where the agency has one), the Ministers responsible for that agency, and where relevant to the Speaker of the ACT Legislative Assembly.
- 2.3 Adequacy of the internal controls, reporting practices and governance arrangements significantly affect the reliability of the information included in agencies' financial statements and statements of performance. Reporting agencies are responsible for maintaining adequate internal controls, reporting practices and governance arrangements including compliance with the applicable legislation. Therefore, the Audit Office categorises audit findings reported under the headings of internal controls, reporting practices and governance arrangements.
- 2.4 The audit management report provided to agencies includes a suggested timeframe to address audit findings (e.g. within 3, 6 or 12 months) and an update on the progress made by the agency in addressing previously reported audit findings.
- 2.5 Audit findings from the review of controls over computer information systems and major financial applications used and controlled directly by ACT Government agencies are included in Chapter 3: 'Computer Information Systems' of this report.
- 2.6 Audit findings from the review of controls over computer information systems and major financial applications used by other entities audited by the Audit Office such as the ActewAGL Joint Venture and University of Canberra are discussed here in this Chapter.

Conclusion

The total number of audit findings reported in 2023-24 was 43 this included 24 new audit findings identified this year. Agencies resolved 32 of 51 (63 percent) of the previously reported audit findings during the year, an increase of around 10 percent from the previous two financial years. Nineteen of the previously reported audit findings were either partially resolved (12) or not resolved (7) this year.

Over half of the total reported audit findings (25 out of 43 or 58 percent) related to deficiencies in internal controls and this number has gradually increased over the last two years. Meanwhile, there was a reduction in audit findings related to both reporting practices and governance issues compared to the prior years. This indicates that agencies have strengthened their governance and reporting practices, but further work is required by agencies to improve the effectiveness of their internal controls supporting various key financial and application processes.

Impact of audit findings

- 2.7 Audit findings and accompanying recommendations present an opportunity for improvement for agencies. Audit findings do not necessarily result in a modified auditor's report being issued on the financial statements or the limited assurance report on the statement of performance of respective agencies.
- 2.8 In 2023-24, one modified auditor's report with a qualified opinion was issued on an agency's financial statements due to the non-recognition in the prior period of an asset and liability in accordance with the accounting standards and the non-recognition of the transfer of the same asset and liability to another agency in 2023-24 resulting from a change in legislation. This modification is discussed in more detail in Chapter 4 under the section on 'Cemeteries and Crematoria Authority'.
- 2.9 No modified limited assurance reports were issued in 2023-24.

Status of audit findings

2.10 The status of audit findings reported by the Audit Office to agencies in audit management reports over the past three years is shown in Table 2-1.

Table 2-1 Status of audit findings

Year	Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
2023-24	51 ¹	(32)	12	7	24	43
2022-23	48	(25)	18	5	29	52
2021-22	50	(24)	18	6	24	48

2.11 The total number of reported audit findings decreased from 51 in 2022-23 to 43 in 2023-24, as agencies resolved a higher number of audit findings compared with new audit findings identified by the Audit Office.

2.12 The decrease in the number of audit findings demonstrates that agencies are taking action to implement recommendations made by the Audit Office to resolve deficiencies or weaknesses in internal controls, reporting practices and governance arrangements. Agencies are increasing their efforts to resolve a relatively higher percentage of previously reported audit findings. For example, 63 percent (32 of 51) of audit findings were resolved in 2023-24 compared with 52 percent (25 of 48) resolved in 2022-23.

2.13 The efforts of the agencies in implementing audit recommendations to improve their internal controls, reporting practices and governance arrangements are reflected in the large number of resolved audit findings over the past three years. However, agencies need to continue to focus on addressing issues identified by the Audit Office with 37 percent (19 of 51) of the previously reported audit findings remaining not resolved or only partially resolved in 2023-24.

¹ One previously reported audit finding relating to Community Housing Canberra Limited has been removed as the audit is no longer required following changes to its constitution and borrowing arrangements ended the ACT Government's controlling interest in Community Housing Canberra Limited. Accordingly, 52 audit findings as at 30 June 2023 has been revised down to 51 at the beginning of 2023-24.

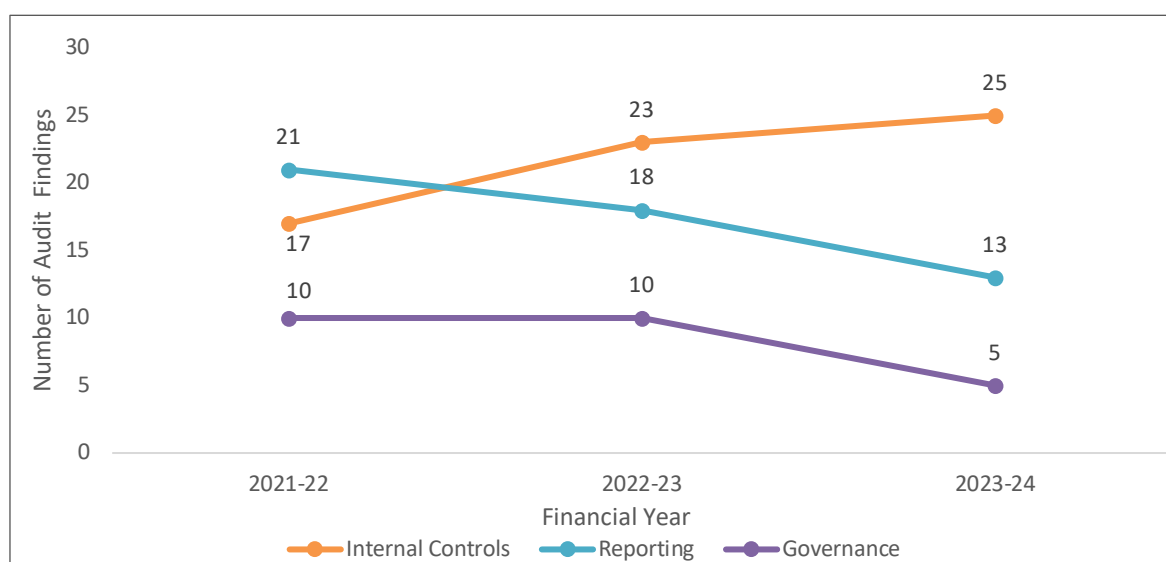
Categories of audit findings

- 2.14 The audit findings reported in the audit management reports of agencies are categorised under the headings of governance, internal controls and reporting. A description of these categories is provided below.

Category	Description
Governance	- Matters that pose an operational or financial risk to the agency. - Matters which have been previously reported to management but have not been satisfactorily addressed.
Internal controls	- Key controls which are ineffective or non-existent. - Control weaknesses which are systemic or undermine the control environment.
Reporting	- Matters that resulted in, or could result in, a modified auditor's report or modified limited assurance report if not addressed by the agency. - Matters where reporting practices should be improved.

- 2.15 Figure 2-1 shows the number of audit findings reported to agencies in each category in audit management reports over the last 3 years from 2021-22 to 2023-24.

Figure 2-1 Categories of audit findings



- 2.16 In 2023-24, more than half of the reported audit findings (58 percent or 25 of 43) related to deficiencies in internal controls. This indicates that agencies need to work on implementing and strengthening their processes and effectiveness of internal controls.
- 2.17 There has been a consistent reduction in audit findings related to reporting practices from 21 in 2021-22 to 13 in 2023-24. This shows that agencies have made significant improvements to their reporting practices and procedures over the past 24 months.

- 2.18 The number of audit findings relating to governance has fallen from 10 in the past two years to 5 in 2023-24. These 5 audit findings related to the need for developing, updating or approving key governance documents including the review of policies and procedures, chief executive financial instructions, independence of the internal audit function and testing of the business continuity plans.

New audit findings

- 2.19 In 2023-24, the Audit Office reported 24 new audit findings with 17 (71 percent) relating to internal controls deficiencies, and 7 (29 percent) relating to reporting practices. Of these, several similar issues were identified across the reporting agencies and included audit findings related to:
- controls over computer information systems on user access management including changes to user accounts, timely reviews and termination of user access, logging and monitoring of user access, and change management applied to a critical system database;
 - reporting practices where the usefulness and clarity of accountability indicators reported in the statement of performance could be improved;
 - documentation of the evidence of satisfactory receipt of goods and services prior to paying invoices; and
 - inadequacy of financial statements preparation and review process, and delays in providing workpapers supporting material balances and disclosures in the financial statements.

Resolved audit findings

- 2.20 A higher number of audit findings were resolved in 2023-24 (32) compared to 2022-23 (25). Resolved audit findings comprised of all three categories of previously reported findings with the largest being from internal controls (15), followed by reporting practices (12) and governance (5). Many of the audit findings resolved by agencies during the year related to:
- improving supporting workpapers for related party transactions and disclosures;
 - ensuring that the bank signatories consisted of only current employees;
 - improving the documentation and timeliness of reviews of fortnightly salary reports; and
 - improving controls over computer information systems on user access management, including changes to user accounts, timely reviews and termination of user access, and logging and monitoring of user access.

- 2.21 Five (16 percent) of the 32 audit findings resolved in 2023-24 were for long outstanding audit findings reported between 2006-07 and 2019-20. These included:
- one audit finding reported since 2006-07 relating to the use of local administrator access rights. This was resolved following the installation of software to monitor and control the granting of local administrator access rights to users on a computer network;
 - two audit findings first reported in 2013-14 on the review of fortnightly salary reports not always being performed in a timely manner. This was resolved as the agencies implemented processes this year to ensure that salary reports are now consistently reviewed by staff on a timely basis;
 - two audit findings first reported in 2019-20 relating to the lack of:
 - documented procedures for the regular review of long-standing student credit balances. This was resolved by developing documented procedures for the regular review of student credit balances and performing these reviews on a regular basis; and
 - evidence supporting the review of activities performed by database administrator with privileged user access for key financial applications. This was resolved by implementing audit logging and monitoring activities for these users that are documented on a regular basis.
- 2.22 The resolution of these previously unresolved audit findings shows where agencies are willing to design and implement changes and make improvements to processes, procedures and systems, they can fix complex or long outstanding unresolved audit findings.

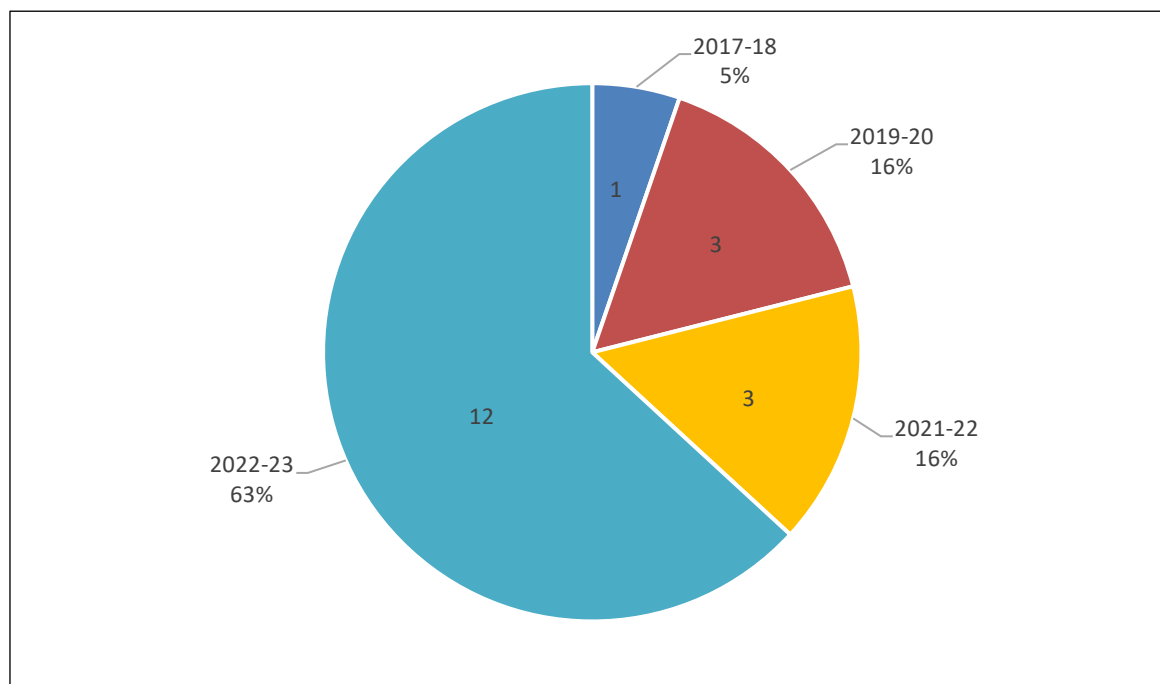
Partially resolved and not resolved audit findings

- 2.23 As of 30 June 2024, 19 of the 51 (37 percent) audit findings which were previously reported to agencies remained either partially resolved (12) or not resolved (7).
- 2.24 Audit findings are treated as not resolved when agencies disagree with the audit finding reported by the Audit Office or have not implemented the audit recommendations. When agencies have addressed some aspects of the reported audit finding or are yet to fully implement all of the audit recommendations, the audit findings are treated as partially resolved.
- 2.25 The audit management report includes a suggested timeframe for agencies to implement audit recommendations (e.g., within 3, 6 or 12 months) and an update is provided on the progress made by the agency over the last 12 months in addressing the previously reported audit findings.
- 2.26 In some cases, it can take considerable time for complex audit findings to be fully resolved from when they are first reported. This is usually due to the work and time required to design, develop and implement the changes needed to address these findings. For instance, information technology related findings can sometimes only be resolved with the

replacement of the current information system while other complex findings may require amendments to legislation or established practices to resolve the finding.

- 2.27 Figure 2-2 shows a breakdown of when the 19 audit findings that are not resolved or partially resolved were first reported to agencies.

Figure 2-2 Aging of previously reported audit findings not resolved or partially resolved



- 2.28 Of the 19 unresolved audit findings only 1 (5 percent) has been reported for more than 6 years (first reported in 2017-18). This audit finding is about the usefulness and clarity of accountability indicators reported in an agency's statement of performance and how these indicators could be improved to provide more useful information on the agency's performance.

- 2.29 The remaining 18 audit findings have all been identified and reported in the last 4 years. These unresolved audit findings cover:

- deficiencies in information technology related controls including weaknesses in an organisations information technology general control environment, management of privileged user account access, managing changes made to databases, creating and modifying user accounts for key systems and the review and monitoring of updates and changes to master data in a system;
- issues around the usefulness and meaningfulness of accountability indicators in various agencies statement of performance, as well as errors in the reported results for some accountability indicators;
- improvements required in governance arrangements for developing, updating and approving policies, procedures and plans including finance instructions, procurement

and financial governance policies, updating and testing business continuity plans and improvements to internal audit arrangements; and

- shortcomings in internal controls relating to preparation or review of revenue and bank reconciliations and satisfactory receipt of goods and services.

2.30 Agencies have agreed in the majority of these cases to make the recommended changes to resolve these audit findings.

3 Computer information systems

- 3.1 As part of the annual financial audit of ACT Government agencies, the Audit Office reviews controls over computer information systems that provide assurance over the accuracy, completeness and reliability of information reported in their financial statements.
- 3.2 This chapter includes a summary of the audit findings identified in relation to the information technology general controls over computer information systems used by agencies as well as the controls over agency-specific major financial applications (major financial applications).

Conclusion

The Audit Office assessed controls over computer information systems used by agencies to prepare their financial statements as satisfactory for the purposes of issuing the auditor's reports on ACT Government agencies' financial statements. This means that these controls provide reasonable assurance that the information reported by agencies in their financial statements from these systems is reliable, accurate and complete.

There are however control weaknesses in the information technology general controls and major financial applications used by agencies that need to be addressed to further reduce the risk of errors and fraud in their financial information, unauthorised access to sensitive information, and cyber security attacks.

Two of the 4 previously reported audit findings on general controls were resolved with 3 new audit findings identified resulting in a total of 5 audit findings to be addressed at the end of 2023-24.

Two of the 7 previously reported audit findings on major financial applications were resolved with a substantial number of new audit findings (39) identified resulting in a total of 44 audit findings to be addressed at the end of 2023-24.

The Digital, Data and Technology Solutions, Shared Services and the relevant agencies agreed to address the remaining audit findings.

General controls over computer information systems

- 3.3 ACT Government agencies rely on the general controls over computer information systems implemented by Digital, Data and Technology Solutions for the proper operation of all financial and non-financial applications.
- 3.4 These general controls include overarching policies, procedures and activities used to manage operating systems, networks, user access, data centres and system changes.
- 3.5 The Audit Office has assessed the general controls over computer information systems as satisfactory for the purposes of issuing the auditor's reports on ACT Government agencies'

financial statements. Accordingly, these controls continue to provide reasonable protection against the risk of:

- errors and fraud in financial information;
- unauthorised access to sensitive information; and
- loss of data and the inability to promptly recover systems in the event of a major disruption or disaster.

3.6 However, there are a few weaknesses that need to be addressed to provide further protection against these risks.

Audit findings

Table 3-1 Status of general controls audit findings

Previously reported	Resolved	Partially resolved	Not resolved	New	Balance
4	(2)	1	1	3	5

3.7 Two of the 4 previously reported audit findings on general controls were resolved, 1 was partially resolved and 1 was not resolved. Three new audit findings were identified by the Audit Office during its review in 2023-24 resulting in a total of 5 audit findings that remain to be addressed at the end of 2023-24.

3.8 Two previously reported audit findings related to information security were resolved. In prior years, the Audit Office recommended that Digital, Data and Technology Solutions:

- develop a corrective action plan that includes specific due dates for the resolution of reported weaknesses identified in the security and maturity assessments. Digital, Data and Technology Solutions resolved this audit finding by implementing a corrective action plan to address reported weaknesses, such as those identified in its Cyber Security Operations Centre maturity assessment (April 2024); and
- ensure that the access rights of inactive user accounts, as defined under the Information and Communications Technology (ICT) Security Policy, are promptly disabled from the ACT Government network. Digital, Data and Technology Solutions resolved this audit finding by implementing automated processes that disable user accounts after a benchmark of 104 days of inactivity.

3.9 One previously reported audit finding relating to information security remains partially resolved. In prior years, the Audit Office reported that Application control had not been implemented for all desktop or server computer systems on the ACT Government network. Application control prevents the operation of unauthorised or malicious programs (viruses) by allowing only specified programs to operate on computer systems. Digital, Data and Technology Solutions partially addressed this issue by implementing application controls for Windows 2019 and 2022 servers and conducting risk assessments on the continuing use of Linux and Solaris servers, resulting in the introduction of risk control measures. Digital, Data

and Technology Solutions has agreed to complete their analysis and scoping of options to upgrade or re-platform remaining systems to fully address this matter.

3.10 One previously reported audit finding relating to governance arrangements was not resolved. This relates to the performance of Stage Gate reviews under the P3M Framework (project, programme and portfolio management framework), adopted by Digital, Data and Technology Solutions. In 2023-24, the Audit Office reported that Stage Gate reviews had not been performed since September 2022. This increases the risk of ineffective project governance and potential failure to achieve project objectives. Digital, Data and Technology Solutions has agreed to address this audit finding.

3.11 Three new audit findings were identified in 2023-24. These relate to:

- improvement required in Digital, Data and Technology Solutions' business continuity and disaster recovery arrangements. The Business Continuity Plan has remained in draft form since 2021, does not reflect the current organisational structure, and has not been tested since 2021. Furthermore, there is no plan in place for conducting scenario-based test exercises for the disaster recovery plan. Where business continuity and disaster recovery plans have not been properly maintained or tested, there is a higher risk that operations may not be able to resume in a timely manner or without loss of information in the event of a major disruption or disaster;
- inability to verify the continued proper operation of access controls to ensure the physical security of one of Digital, Data and Technology Solutions data centres in 2023-24, due to the third-party service provider's failure to provide the necessary records of access to data centres. There is a higher risk of unauthorised and fraudulent access to critical systems and data where records of access to the data centres are not available; and
- adherence to Digital, Data and Technology Solutions' ICT Contract Management Framework (2021), which requires contract management plans for Tier 1 and Tier 2 contracts, classified as higher-risk or higher-value. The majority of existing Tier 1 and Tier 2 contracts lack documented and approved contract management plans. Where contract management is not carried out effectively, there is a higher risk of external suppliers providing goods and services that do not meet the requirements of Digital, Data and Technology Solutions nor represent value for money to the Territory.

3.12 Digital, Data and Technology Solutions has agreed to address these audit findings.

Controls over specific major financial applications

- 3.13 This section contains a summary of the findings identified during the Audit Office's review of controls over major Whole of Government and agency-specific financial applications used by agencies to record transactions included in their financial statements.
- 3.14 These controls include the policies, procedures and activities used to manage applications and their data and include, for example, controls over data entry and processing, user access, application changes, monitoring of user activities, and data backup and restoration.
- 3.15 Controls over these applications are an important means of providing agencies with assurance that the:
- information used to prepare their financial statements is authentic, accurate and reliable;
 - applications operate as intended and in a consistent manner; and
 - information maintained by agencies is secure.
- 3.16 The Audit Office has assessed the controls over major financial applications used by agencies to record transactions included in their financial statements as satisfactory for the purposes of issuing auditor's reports on ACT Government agencies' financial statements. However, there are several audit findings that are contained in this section that need to be addressed.
- 3.17 Applications reviewed as part of the financial audits of ACT Government agencies include:
- Whole of Government applications; and
 - Agency specific applications.
- 3.18 Most agencies rely on the internal controls implemented by the Chief Minister, Treasury and Economic Development Directorate (Shared Services) when using the following Whole of Government applications:
- Accounts Payable Invoice Automation Solution (APIAS) – used to record and approve supplies and services (administrative) expenditure.
 - CHRIS21 – human resource information management system used to process and record salary payments and leave entitlements of ACT Public Sector employees.
 - ORACLE – financial management information system used to record financial transactions.
- 3.19 Agency specific financial applications include the following:
- Cashlink – used to record amounts received from members of the public for taxes, fees and fines. This is managed by the Chief Minister, Treasury and Economic Development Directorate (Access Canberra).

- Rego.act – used to record motor vehicle registrations, drivers’ licences, traffic and parking infringement revenue. This is managed by the Chief Minister, Treasury and Economic Development Directorate (Access Canberra).
- Community 2011 – used to record revenue such as general rates and land tax. This is managed by the Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office).
- TRev – used to record taxes and fee revenue such as payroll tax and stamp duty. This is managed by the Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office).
- SAS – is the school administration system used by ACT public schools to process and record revenue and expenses. This is managed by the Education Directorate.
- MyWay – is the ticketing system used by Transport Canberra Operations to process and record bus and light rail fare revenue. This is managed by Transport Canberra and City Services Directorate.
- Homenet – used by Housing ACT to process and record rental revenue from public housing tenants, process work orders for housing maintenance, and to manage information on social and public housing services. This is managed by Community Services Directorate.
- Digital Health Record (DHR) – used by Canberra Health Services to record patients’ interactions with ACT public health services; and to interface with other key information systems such as Powerbilling & Revenue Collection System. This is managed by ACT Health Directorate.
- Powerbilling & Revenue Collection System (PBRC) – used by Canberra Health Services to process and record healthcare revenue, bill processing and collection. This is managed by ACT Health Directorate.
- CHRIS21 (NCH) – human resource information management system used by Canberra Health Services to process and record salary payments and leave entitlements of North Canberra Hospital (NCH) staff. This is managed by Chief Minister, Treasury and Economic Development Directorate (Digital, Data and Technology Solutions).
- KRONOS (NCH) – used by Canberra Health Services to record timesheet and leave data for NCH staff, including the transfer of time information to CHRIS21 (NCH) to support payroll processing. This is managed by Chief Minister, Treasury and Economic Development Directorate (Digital, Data and Technology Solutions).
- Banner – is the Canberra Institute of Technology’s student administration system used to process and record student fee revenue. This is managed by the Canberra Institute of Technology.

Audit findings

Table 3-2 Status of audit findings by application

Application	Previously Reported	Resolved	Partially Resolved	New	Balance
Whole of Government					
APIAS	-	-	-	2	2
CHRIS21	2	-	2	2	4
ORACLE	1	(1)	-	3	3
Subtotal	3	(1)	2	7	9
Agency-specific					
Cashlink	-	-	-	1	1
Rego.act	-	-	-	1	1
Community 2011	1	-	1	3	4
TRev	-	-	-	4	4
SAS	1	-	1	1	2
Homenet	-	-	-	2	2
MyWay	-	-	-	3	3
DHR	1	-	1	3	4
PBRC	1	(1)	-	5	5
CHRIS21 (NCH)	-	-	-	4	4
KRONOS (NCH)	-	-	-	1	1
Banner	-	-	-	4	4
Subtotal	4	(1)	3	32	35
Total	7	(2)	5	39	44

3.20 Two of the 7 previously reported audit findings were resolved and 5 were partially resolved. Thirty-nine new audit findings were identified by the Audit Office during its review of major financial applications in 2023-24. A total of 44 audit findings remains to be addressed at the end of 2023-24.

3.21 The number of audit findings on controls over Whole of Government applications increased from 3 to 9 while the number of agency-specific financial applications has increased substantially by 31 from 4 in 2022-23 to 35 in 2023-24. This is largely due to a change in the audit approach from a comprehensive review every three years to a comprehensive annual review, combined with the inclusion of several new applications in 2023-24, specifically CHRIS21 (NCH), KRONOS (NCH), and Banner.

3.22 Two of the 7 previously reported audit findings related to information security were resolved. In prior years, the Audit Office reported that:

- ORACLE system administrators in the Financial Applications Support Team could create new user accounts without secondary review or approval, increasing the risk of unauthorised or fraudulent transactions. This was resolved by implementing a system customisation that requires a secondary approver for new user accounts; and
- PBRC ICT Security Plan lacked defined parameters for password length, re-use restrictions, and complexity. This was resolved by updating the PBRC ICT Security Plan and enforcing system password settings in compliance with the ACT Government Password Standard.

3.23 Five previously reported audit findings, mostly related to information security, remain partially resolved, and agencies have agreed to address these weaknesses. In prior years, the Audit Office reported that:

- reviews of audit logs for changes made by Community 2011 database administrators had not been performed, nor were procedures for these reviews documented. Although a threat and risk assessment was endorsed in 2024, outlining mitigation activities such as the use of a privileged access management solution, Cyber-Ark, the Audit Office found no evidence that these processes were operational throughout 2023-24;
- the SAS System Security Plan identified the implementation of an event logging strategy and the formalisation of responsibilities for monitoring logs as high-priority risk treatments, but these were not actioned. A risk assessment in 2022-23 resulted in the development of a procedure for quarterly audit log reviews, starting in quarter one 2023-24. However, the Audit Office could not verify that these reviews had been performed during 2023-24;
- there was no documented logging strategy for DHR to formalise responsibilities for monitoring audit logs over activities performed by privileged users. Although this weakness remains in 2023-24, Canberra Health Services has partially addressed this weakness by actively monitoring DHR system activity logs and conducting weekly audits of privileged user allocation;
- ten staff can modify electronic funds transfer (EFT) payment files (i.e., salary payments) from CHRIS21 via a generic (shared) user account before they are sent to the bank for processing, which reduces management's ability to trace actions, including fraudulent changes, to specific individuals. In recent years, Shared Services has partially addressed this issue by implementing mitigating controls, such as limiting access to a small number of staff and reviewing audit logs of user activity within the directory containing EFT payment files. However, since CHRIS21 EFT payment files can still be changed via a shared user account, this weakness continues to exist in 2023-24; and
- CHRIS21 time and leave recording module does not adequately support timesheet and leave data for casual and shift staff. As a result, some ACT Government agencies have implemented their own systems (e.g. PROACT and KRONOS). Although timesheet data

from these systems is largely uploaded into CHRIS21 automatically, some leave data still requires manual entry by Shared Services payroll. However, recent improvements, including automating leave imports from PROACT and KRONOS, have reduced the volume of manual entry. This weakness, although reducing, continues to exist in 2023-24.

3.24 Thirty-nine new audit findings were identified in 2023-24, relating to weaknesses in controls over major financial applications. These audit findings can be categorised into the following areas:

- information security (24 new audit findings);
 - security documentation (10 new audit findings);
 - user access management (7 new audit findings);
 - monitoring of audit logs (3 new audit findings);
 - segregation of duties (3 new audit findings);
 - use of generic user accounts (1 new audit finding);
- business continuity and disaster recovery arrangements (5 new audit findings);
- change management processes (9 new audit findings); and
- data processing and workflow management (1 new audit finding).

3.25 New audit findings in each of these categories are discussed below.

Information security

3.26 Threats to the integrity, confidentiality and availability of information can occur due to electronic transactions (e-commerce) and security exposures such as viruses, intrusions and unauthorised releases of confidential information.

3.27 Information security controls are safeguards to avoid, detect, counteract or minimise security risks to computer information systems. Effective security controls need to be implemented over applications to ensure:

- information recorded in computer applications is authentic (not fraudulent), accurate and available when required;
- the confidentiality and privacy of information stored on applications is maintained and information is only accessed by authorised users; and
- legislative and regulatory requirements and standards are complied with.

3.28 There were 24 new audit findings relating to weaknesses in information security controls over agency-specific financial applications. These audit findings relate to:

- security documentation (10 new audit findings);
- user access management (7 new audit findings);

- monitoring of audit logs (3 new audit findings);
- segregation of duties (3 new audit findings); and
- use of generic user accounts (1 new audit finding).

Security documentation

- 3.29 A System Security Plan (SSP), part of the ACT Government's Cyber Security Framework (Framework), ensures consistent management of security risks and compliance with policies. It identifies security contexts, describes controls, assesses risk levels, and recommends treatment strategies. According to the Framework, system owners are responsible for the development and maintenance of a SSP and performing risk treatments to secure their critical and sensitive business systems.
- 3.30 The Audit Office identified that several security and process documents in relation to major financial applications were not developed, up to date, appropriately approved or had no approval or scheduled review date. Further information on the 10 new audit findings reported by the Audit Office are as follows:
- APIAS 'Security Risk Management Plan', due for review in January 2024, was not reviewed and updated as scheduled. Additionally, APIAS 'Governance and Operational Management of Approval Delegations' and APIAS 'Procedure for Requesting and Managing Change' were last reviewed in June 2017 and July 2020, respectively, with no subsequent reviews scheduled;
 - CHRIS21 'Reporterator-2 Access Control Guidelines' and HRMS 'Change Management Process' were last approved in January 2020 and February 2016 respectively, with no subsequent reviews scheduled. Furthermore, Shared Services 'HR Business and System Integration Request Process Flow' and Shared Services 'Request for Change Process Flow' do not have evidence of approval nor a scheduled review date;
 - ORACLE 'E-Business Suite Change Management Process' document was published in May 2024, however it does not have evidence of approval or an expected review date;
 - Community 2011's SSP (February 2021) and 'Business Resilience Plan' (September 2022) are overdue for review since February 2024 and September 2023 respectively;
 - MyWay's SSP and 'Access Management Guidance' lack formal approvals. Furthermore, there were no up-to-date procedures outlining the responsibilities of the vendor regarding IT security and related processes;
 - DHR and PBRC's SSP's remain in draft form following their reviews in October 2022 and November 2023 respectively. Furthermore, PBRC's SSP was incomplete;
 - CHRIS21 (NCH)'s SSP does not outline the vendor's responsibilities regarding IT security and related processes, nor is there any guidance providing detailed information on these responsibilities;

- PBRC 'User Access Procedure' (2021) and CHRIS21 (NCH) 'New User Process' (2022) lack evidence of approval, and no reviews have been scheduled to date. Furthermore, neither outline procedures for terminating user access;
- User Access Procedures for KRONOS (NCH) do not exist; and
- Banner's SSP remains in draft form and was incomplete, as it lacks specified responsibilities and due dates for implementing identified risk treatments.

3.31 There is a higher risk that these policies and procedures may become ineffective, leading to resources being deployed on less effective or outdated cyber security measures when system security documentation has not been developed, appropriately approved, or properly maintained.

3.32 Furthermore, where applicable, the absence of guidance outlining the responsibilities of vendors regarding IT security may compromise the application's availability when security vulnerabilities or system performance issues arise.

3.33 Agencies responsible for these systems have agreed to address these audit findings.

User access management

3.34 User access management controls are implemented to prevent unauthorised access to applications and systems and commonly support the granting, maintenance and termination of user access. User access management is generally owned and operated by a specific team and often involves system administrators. This process provides a safeguard against the risk of unauthorised and potentially fraudulent access.

3.35 Effective management of user access requires implementing policies and procedures for the creation, modification, revocation and regular review of user access so that:

- users only have a level of access that aligns with their roles and responsibilities; and
- the access of employees is promptly removed when no longer required (for example, for departing employees).

3.36 The Audit Office identified that despite their essential nature, user access management controls were not always documented for some applications, including procedures for granting, maintaining, and terminating user access. The details of 7 new audit findings reported by the Audit Office are as follows:

- TRev and Community 2011's SSP provide some information supporting the granting, maintenance and termination of user access, however, there is limited detail on how the processes are performed for these specific applications. Furthermore, 'User access, maintenance and termination procedures' for Community 2011 were last reviewed in December 2020 with no scheduled review date indicated in the document;
- there is no monitoring of the currency of vendor's user access, nor any verification of the appropriateness of vendor user activities within MyWay. For example, the Audit

Office found that a vendor user had incorrect access rights allowing them access to MyWay's data and processes that were beyond their designated permissions;

- the DHR Business System team does not perform regular reviews of DHR user access to ensure it remains appropriate;
- users identified for removal during the PBRC Business System team's quarterly reviews continued to retain access for over 90 days beyond the designated removal date, noting their user access is restricted beyond 104 days via their ACTGOV account settings;
- an excessive number of users (i.e. eight) in the Banner system have been granted super user access rights; and
- Banner 'User Administration Procedures' lack key requirements, such as monitoring user accounts and profiles to determine if they continue to be required; and reviewing system audit reports.

3.37 There is a higher risk that correct processes may not be followed, resulting in unauthorised access to applications and data, when there are no clearly documented procedures supporting the granting, maintenance, and termination of user access. Furthermore, the absence of regular user access reviews, including vendor user access levels, and the timely removal of inactive users increases the risk of security vulnerabilities.

3.38 Agencies responsible for these systems have agreed to address these audit findings.

Monitoring of audit logs

3.39 Audit logs are system-generated records of activities performed by users. These include, for example, details of users accessing a system, times, dates and locations of access and the various actions performed by users.

3.40 Monitoring of audit logs should be performed on a regular basis to reduce the risk of undetected erroneous or fraudulent changes being made to computer information systems and data. As privileged users can perform actions such as changing system security settings or roles and responsibilities of users, their actions should be regularly reviewed by someone independent of these users to promptly detect fraudulent changes to applications and data.

3.41 The ACT Government's 'Cyber Security Policy' (January 2024) refers to the ACT Government's 'Monitoring and Logging Standard' (May 2024) which defines expectations for system logging such as the ability to be able to track key actions such as the access, creation and deletion of data at the system and individual record levels, including the logging and monitoring of privileged user activity.

3.42 The Audit Office identified that the requirements of the ACT Government's 'Monitoring and Logging Standard' (May 2024) were not followed, as several major financial applications lacked proper monitoring and logging mechanisms. The details of 3 new audit findings reported by the Audit Office are as follows:

- TRev's SSP outlines requirements for audit logging and log analysis, stating that log analysis is to be performed on an ad hoc basis by the system administration team. However, the Audit Office was informed that log monitoring is conducted quarterly. Further investigation revealed that these activities have not been regularly performed, with log analysis occurring only once during 2023-24;
- PBRC audit logs are reviewed on an 'as needed' basis, however, there is no formal logging strategy informed by a risk assessment, and the outcomes of these reviews are not documented; and
- CHRIS21 (NCH) lacks a formal logging strategy based on a risk assessment, and there is no monitoring of privileged user access or activities.

3.43 There is a higher risk of undetected inappropriate and fraudulent changes to major financial applications and their data not being detected and promptly addressed when user activity (e.g. privileged users and vendors) is not regularly monitored and reviewed.

3.44 Agencies responsible for these systems have agreed to address these audit findings.

Segregation of duties

3.45 A key preventative control in mitigating the risks of unauthorised and potentially fraudulent activities in computer information systems is to segregate incompatible duties between users. For example, duties assigned to users should be appropriately segregated so a single user cannot initiate and complete a transaction.

3.46 The Audit Office reported 3 new audit findings related to weaknesses in segregation of duties controls, which are as follows:

- the application of rent rebates and rent adjustments in Homenet requires the approval of only one user;
- most finance staff in the Education Directorate were assigned user access which allows them to process financial transactions in SAS (e.g. issue credit notes and modify refund amounts) without requiring approval by a second user; and
- there is no segregation of duties policy defining incompatible access role assignments within PBRC. Furthermore, eight users have multiple accounts related to receivables processing, which could potentially bypass system-enforced segregation of duties approval controls.

3.47 These control weaknesses are further exacerbated by the lack of regular review of audit logs, even though these applications have the capability to generate logs for important transactions (e.g. rent adjustments and rebates), as well as the absence of a formal review of key transaction logs, as discussed earlier in this chapter.

- 3.48 There is a higher risk that erroneous or fraudulent transactions conducted by a single user account may go undetected and unaddressed when segregation of duties is not defined or enforced.
- 3.49 Agencies responsible for these systems have agreed to address these audit findings.

Generic (shared) user accounts

- 3.50 A generic (shared) user account refers to a single unique login account that is being used by more than one person. These accounts compromise ICT security because they reduce management's ability to trace the actions of a user to a specific person.
- 3.51 The Audit Office reported 1 new audit finding related to the existence of a generic (shared) user account in the Banner system. This account is used to run key background processes overnight to update the system database.
- 3.52 There is a higher risk of unauthorised or fraudulent access to data and applications when generic user accounts are used.
- 3.53 The Canberra Institute of Technology has agreed to address this audit finding.

Business continuity and disaster recovery arrangements

- 3.54 A Business Continuity Plan (BCP) helps ensure an organisation's operations continue in the event of an unexpected incident or disaster that adversely affects critical systems, including the ability to use software or hardware and process data.
- 3.55 An ICT Disaster Recovery Plan (DRP) focuses on information technology and technology systems supporting critical business functions and contains procedures developed to restore critical systems with minimal (or no) loss of data or functionality.
- 3.56 Regular testing of business continuity and disaster recovery arrangements is essential to ensure that critical systems can be restored in a complete and timely manner, and operations resumed promptly after a disruption. This includes verifying the backup and recovery of data and systems to ensure their availability following a continuity disruption event or disaster.
- 3.57 The Audit Office identified that several business continuity and disaster recovery plans for major financial applications have not been properly maintained or tested. The details of 5 new audit findings reported by the Audit Office are as follows:
- ORACLE's 'E-Business Suite 12 Business Continuity and Disaster Recovery Plan' was last reviewed in July 2023, however, the plan does not have evidence of approval or an expected review date. Furthermore, the effectiveness of ORACLE's disaster recovery procedures, particularly the recovery of data from backup files, has not been tested since 2022;
 - Rego act's DRP has not been reviewed since March 2020;

- TRev's BCP and DRP have not been reviewed since September 2022 and April 2022 respectively;
- the effectiveness of PBRC's BCP has not been tested since September 2022. Furthermore, there is a DRP for PBRC in place, however it is not clear when this document was last reviewed; and
- the effectiveness of CHRIS21 (NCH)'s BCP and DRP has not been tested in accordance with the testing requirements contained in these documents.

3.58 There is a higher risk that operations may not be able to resume in a timely manner or without loss of information in the event of a major disruption or disaster, if business continuity and disaster recovery plans have not been properly maintained or tested.

3.59 Agencies responsible for these systems have agreed to address these audit findings.

Change management process

3.60 An ICT change is any modification to applications or systems, which generally involves updating code or installing software. Defined and controlled procedures and processes for making changes to applications are needed so that:

- appropriate changes are made to an application and the integrity of the application, and the associated data is maintained;
- applications operate as intended and can be used as required; and
- the risk of unauthorised, untested or unintended changes that may have an adverse effect on the performance of applications and create security vulnerabilities are minimised.

3.61 The ACT Government ICT Change and Release Management Policy, the authoritative policy for managing ICT changes states that:

- changes must be classified as major, moderate, minor, emergency, or standard, based on their risk and urgency. As there are distinct differences in the handling of each change classification, documentation is required to outline the processes for requesting, testing and approving each change;
- changes to systems must be documented in a test plan before being implemented. Changes should be tested in accordance with an approved test plan and the results documented, including the resolution of any problems identified during testing; and
- all Digital, Data and Technology Solutions staff, agency staff and external vendors involved in changing any configuration item that supports ACT Government business applications must follow the change and release management process when introducing changes to the ICT environment.

3.62 The Audit Office reported 9 new audit findings related to weaknesses in change management process controls as follows:

- Systems Security Plans (SSPs) for APIAS, CHRIS21, ORACLE, Cashlink, TRev and Community 2011 refer to changes as major and minor instead of applying the change classifications (i.e. major, moderate, minor, emergency, or standard) as per the ACT Government ICT Change and Release Management Policy applicable to all agencies. The SSPs also indicate that different rules apply for emergency changes, but these rules are not specified. Furthermore, the APIAS procedure for 'Requesting and Managing Change' specifies the change request process, however, it does not detail the relevant change classification as required by the ICT Change and Release Management Policy;
- there is no specific ICT change management framework for MyWay and CHRIS21 (NCH) that clearly defines the system change approval process, which is currently managed by the respective software vendors through their ticketing systems. Furthermore, a review of CHRIS21 (NCH) change requests found no evidence of assessment, testing, or approval before implementation. As a result, the Audit Office could not verify whether these changes were properly tested in a test environment or if segregation of duties was enforced when requesting and approving the change; and
- DHR's SSP state that the Business System manager must comply with the ICT Change Management Policy and Change Management Process, however, this reference is outdated and does not align with the current DHR Change Approval Process document.

3.63 There is a higher risk that applications may not operate as intended due to the lack of clearly defined change management processes, increasing the likelihood of erroneous or fraudulent changes. This may occur, for example, where the impact of the change on other processes, changes and controls implemented in the system or application or broader information technology environment has not been identified and addressed.

3.64 Agencies responsible for these systems have agreed to address these audit findings.

Data processing and workflow management

3.65 Data processing is important as the data contained in any IT system is only as good as the quality and accuracy of the data entered into it. Controls over data processing are therefore required to provide assurance over the completeness, accuracy, and validity of data within systems. Insufficient data processing controls can result in operational inefficiencies, errors, or even unauthorised and fraudulent transactions going undetected.

3.66 Likewise, ineffective workflow management processes can result in operational inefficiencies, increased risks, and reduced oversight. For example, when system workflows do not automatically update interconnected records, key information may be inaccurate, incomplete, or outdated.

3.67 The Audit Office reported 1 new audit finding related to a weakness in workflow management. This relates to the use of the IBM Maximo system, where Housing ACT can approve or reject work orders related to repairs and maintenance via Homenet. The Audit

Office identified that the value of parent work orders created in IBM Maximo by a third-party supplier does not automatically adjust when related child work orders are added. This allows multiple child work orders, each below the \$10 000 limit, to be raised without triggering adjustments to the parent order's value or the need for delegate approval. As a result, Housing ACT staff may be unaware of additional child work orders being raised, as neither the parent nor child work orders exceed the approval limit of \$10 000 at any stage.

- 3.68 There is a higher risk that unauthorised or fraudulent transactions may occur undetected when the value of parent work orders is not automatically adjusted as child work orders are created or modified. This weakens financial oversight by allowing multiple low-value child work orders to bypass approval controls.
- 3.69 Housing ACT has agreed to address this audit finding.

4 Financial results and audit findings of selected reporting agencies

- 4.1 This chapter contains a discussion of the financial results of selected reporting agencies and, where applicable, compares these results to budget estimates. It also provides details of audit findings reported in audit management reports provided to these reporting agencies.
- 4.2 Reporting agencies were selected on the basis of their financial significance or where their audit findings were considered to warrant public reporting.

ACT Health Directorate

- 4.3 The ACT Health Directorate (Directorate) is responsible for the planning and development of Territory-wide health strategies and policies including implementing health prevention, promotion services as well as conducting health population planning and research.
- 4.4 The Directorate also undertakes the design, procurement, delivery, management and support for all critical health information systems and software used by the ACT public health system.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The net cost of the Directorate's services (\$355 million) was \$17 million (5 percent) higher than budgeted (\$338 million) due to higher employee expenses, supplies and services, and grants and purchased services, partially offset by higher than anticipated revenue from cross-border grants and unanticipated receipts of Department of Veterans' Affairs (DVA) grants.
- Government contributions (\$345 million) were \$49 million (17 percent) higher than the budgeted amount (\$296 million) mainly due to the Directorate receiving additional appropriation for the Digital Health Strategy and the transition following the acquisition of North Canberra Hospital.
- Capital injections (\$64 million) were \$32 million (33 percent) lower than budgeted (\$96 million) mainly due to transfer of capital injections relating to North Canberra Hospital to Major Projects Canberra and Canberra Health Services.
- Three audit findings were identified in 2023-24 relating to the NTT Australia invoicing and payments for the Digital Health Record system.

Financial results

Table 4-1 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(548)	(487)	(564)
Income	193	149	232
Net cost of services	(355)	(338)	(332)
Government contributions	345	296	312
Operating deficit	(10)	(42)	(20)
Capital injections	64	96	65

- 4.5 The Directorate's expenses mainly consist of employee expenses, supplies and services costs, and transfers to the ACT Local Hospital Network mainly for cross-border health receipt.
- 4.6 Cross-border health costs for treating interstate residents in ACT public hospitals as well as for ACT residents receiving treatment in interstate public hospitals are managed through joint arrangements between the Territory and other states including the Northern Territory.
- 4.7 Expenses (\$548 million) were higher than the budgeted amount (\$487 million) by \$61 million (13 percent) mainly due to:
- an increase in employee expenses (\$17 million) and supplies and services (\$31 million) primarily due to increase in staff, higher contractor and consultants' expenses and legal expenses for service delivery related to the Digital Health Strategy and the transition following the acquisition of the North Canberra Hospital; and
 - higher grants and purchased services (\$25 million) largely due to receipt of DVA grant not anticipated in the budget that was passed on to Canberra Health Services and higher than expected cross-border transfers to ACT Local Hospital Network resulting from a higher number of interstate residents being treated in the ACT public hospitals.
- 4.8 The Directorate receives income mostly from cross-border health receipts and public health services funding from the ACT Local Hospital Network.
- 4.9 Income (\$193 million) exceeded the budgeted amount (\$149 million) by \$44 million (30 percent) due to higher cross-border grants from ACT Local Hospital Network and receipts of DVA grants that was transferred to Canberra Health Services as discussed previously.

- 4.10 The net cost of the Directorate's services (\$355 million) was \$17 million (5 percent) higher than budgeted (\$338 million) mainly due to the higher-than-expected expenses partially offset by higher than anticipated revenue as discussed previously.
- 4.11 Government contributions (\$345 million) were \$49 million (17 percent) higher than the budgeted amount (\$296 million) due to the Directorate receiving additional appropriation of \$75 million to support service delivery for the Digital Health Strategy and the transition following the acquisition of North Canberra Hospital.
- 4.12 Capital injections (\$64 million) were \$32 million (33 percent) lower than budgeted (\$96 million) mainly due to capital injections relating to North Canberra Hospital being transferred to Major Projects Canberra and Canberra Health Services.

Audit findings

Table 4-2 Status of audit findings

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

- 4.13 New audit findings identified in 2023-24 were in relation to NTT Australia's invoicing and payments related to the Digital Health Record and Related Systems Hosting agreement with the Directorate.
- 4.14 The Audit Office conducted a review of the payments made to NTT Australia from December 2020 through to 30 June 2024 including an examination of the accounting policies and note disclosures for the years ended 30 June 2023 and 2024.
- 4.15 The audit findings relate to:
- the lack of documentary evidence to support the satisfactory receipt of goods and services prior to the Directorate making payment for the NTT Australia invoices. There is a higher risk of erroneous, irregular or fraudulent transactions when payment of invoices can be made without documented evidence that the goods or services have been satisfactorily received by an officer independent of the invoice payment process;
 - the inability to reconcile the invoice to work order and purchase order which are formal documents approved by the financial delegate. Work orders and purchase orders outline the scope of work, associated costs, and the terms and conditions under which goods or services are to be provided. These lacked the detailed line items that made it difficult and time consuming to reconcile the invoiced amount to the quantities and prices agreed with NTT Australia. The lack of this information increases the risk of unauthorised or duplicate payments; and
 - a single NTT Australia invoice being linked to multiple purchase orders. The Audit Office found that a single invoice was linked to as many as 80 purchase orders. The lack of clear link complicates the reconciliation process requiring considerable manual effort

and leads to delays in processing while increasing the risk of the errors or duplication that can result in financial discrepancies.

- 4.16 The Directorate has advised that additional controls were implemented in January 2024. However, the Audit Office's review of the NTT Australia invoices covered a period prior to the Directorate's implementation of these additional controls. Therefore, the Audit Office will evaluate and acquit the effectiveness of these controls during the 2024-25 financial statements audit.

ACT Insurance Authority

- 4.17 Under the *Insurance Authority Act 2005*, the ACT Insurance Authority (Authority) is the insurer for the Territory and manages ACT Government risks. The Authority purchases insurance from external insurance providers to cover catastrophic risks such as natural disasters and medical malpractice.
- 4.18 The Authority settles insurance claims on behalf of the Territory and ACT Government agencies, promotes better practices in risk management to ACT Government agencies, and provides advice to the Minister about insurance and management of the Territory's risks.
- 4.19 The Authority also manages Builders Warranty Insurance Scheme on behalf of the Territory and has recently commenced the Physical and Sexual Abuse Indemnity Scheme for out of home care providers who provide services in the Territory from 1 July 2023.

Summary

- The Audit Office issued an unmodified auditor's report on the Authority's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The Authority recorded an operating surplus of \$17 million compared to the budgeted operating surplus of \$3 million mainly due to higher than expected returns on investments.
- The Authority had sufficient assets to meet its estimated insurance claims and other liabilities at 30 June 2024.
- The Authority obtained independent external advice to assess the impact of amendments to an Australian Accounting Standards affecting public sector insurance entities and has assessed that Builders Warranty Insurance and Sexual Abuse Indemnity Schemes are likely to be impacted when the amendments take effect on 1 July 2026.

Financial results

Table 4-3 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Gross premiums	85	84	68
Other revenue	6	2	5
Net returns from investments	35	20	32
Income	126	106	105
Net incurred claims	(78)	(76)	(118)
Reinsurance and other expenses	(31)	(27)	(23)
Expenses	(109)	(103)	(141)
Operating surplus/(deficit)	17	3	(36)

- 4.20 Income mostly comprises insurance premiums collected from ACT Government agencies and net returns from investments.
- 4.21 Income (\$126 million) was higher than the budgeted amount (\$106 million) by \$20 million (19 percent) mainly from higher net returns from investments as a result of unrealised gains from investments held with the Territory Banking Account. In addition, a higher interest was received from higher than anticipated average cash balance held in the operating bank account.
- 4.22 Net incurred claims are made up of insurance claims expenses consisting of gross insurance claims settlement payments, changes in the actuarial estimate of insurance claims liabilities, after deducting claim related recoveries from third parties.
- 4.23 The estimate of insurance claims liabilities is influenced by expected future insurance claims, amounts paid to settle those claims, and the discount and inflation rates used to calculate the present value of future insurance claims payments.
- 4.24 Net incurred claims (\$78 million) were slightly higher than the budget amount (\$76 million) by \$2 million (3 percent). This was mainly due to higher than expected claims from medical malpractice and public liability insurance classes, partially offset by higher than expected recoveries from property insurance classes under reinsurance arrangements.
- 4.25 The Authority's operating surplus (\$17 million) was \$14 million (466 percent) higher than the budgeted operating surplus of \$3 million mainly due to higher than expected net returns from investments discussed above. These were partially offset by higher other expenses from the first-time recognition of actuarially assessed estimates of outstanding claims

liabilities under the Sexual Abuse Indemnity Scheme and claims expenses under the Warranty Insurance Scheme.

Financial position

Table 4-4 Net assets

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Total assets	476	428	424
Total liabilities	(427)	(364)	(391)
Net assets	49	64	33
Ratio of total assets to total liabilities	1.1 to 1	1.2 to 1	1.1 to 1

4.26 The Authority aims to hold sufficient cash and investment balances to meet estimated insurance claims and other liabilities when they fall due.

4.27 The Authority had sufficient assets to meet its liabilities at 30 June 2024. However, the net asset position of the Authority at 30 June 2024 (\$49 million) was lower than the budgeted net asset position (\$64 million) by \$15 million (23 percent). This was mainly due to higher than expected outstanding claims liabilities as a result of higher claims incurred in the medical malpractice and public liability insurance classes, partially offset by higher than expected receivables and cash balance held.

New accounting standards

4.28 The Australian Accounting Standards Board has released AASB 2022-8: 'Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments' (operative date of 1 January 2023) and AASB 2022-9: 'Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector' (operative date of 1 July 2026).

4.29 The Authority engaged actuaries to provide assessments on the impact of amendments to accounting standards which contain some specific considerations for not-for-profit sector insurance entities. Based on this external advice, the Authority has assessed that the Builders Warranty Insurance and the Physical and Sexual Abuse Indemnity Schemes are likely to be impacted by the amendments. The Authority has advised that a full and detailed assessment on the applicability and potential financial impact will be undertaken during the 2024-25 financial year.

ACT Local Hospital Network Directorate

- 4.30 The ACT Local Hospital Network Directorate is responsible for the administration of ACT Local Hospital Network (Directorate). Further information on the ACT Health Directorate is presented earlier in this chapter.
- 4.31 Under the National Health Reform Agreement, the Directorate receives funding from the Commonwealth Government, the ACT and other state and territory governments through the National Health Funding Pool. This funding enables the Directorate to purchase public hospital services from Canberra Health Services and Tresillian Family Care Centres.
- 4.32 Cross boarder health costs for treating interstate residents in ACT public hospitals, as well as ACT residents treated in public hospitals outside the Territory, are settled through joint agreements between the ACT, other states, and the Northern Territory.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The Directorate's net cost of services (\$1 668 million) exceeded the budgeted net cost of services (\$1 597 million) by \$71 million (4 percent) primarily due to higher than expected payments made to Canberra Health Services for public health services partially offset by greater than anticipated cross-border (interstate) health revenue.
- Contribution from ACT Government were \$111 million (11 percent) higher than the budgeted amounts largely due to additional contributions received to support Canberra Health Services initiatives.

Financial results

Table 4-5 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(1 837)	(1 719)	(1 693)
Cross-border (interstate) health revenue	169	122	127
Net cost of services	(1 668)	(1 597)	(1 566)
Commonwealth contributions	497	545	522
ACT Government contributions	1 163	1 052	1 051
Operating (deficit)/surplus	(8)	-	7

- 4.33 The Directorate's expenses primarily consist of payments to Canberra Health Services for providing health services to ACT residents and payments to other Australian states and the Northern Territory for providing public hospital services to ACT residents in their respective jurisdictions under cross-border (interstate) health agreements.
- 4.34 Expenses (\$1 837 million) were higher than the budgeted amount (\$1 719 million) by \$118 million (7 percent) largely due to higher than expected payments made to Canberra Health Services primarily driven by the growth in demand for services and indexation and increased cross border health costs.
- 4.35 Cross-border (interstate) health revenue is received by the Directorate from other Australian states and the Northern Territory for treating their residents in the ACT public hospital system under cross-border (interstate) health arrangements.
- 4.36 Cross-border (interstate) health revenue (\$169 million) was higher than the budgeted amount (\$122 million) by \$47 million (39 percent) mainly due to higher than anticipated number of interstate residents being treated in ACT public hospitals and the finalisation of several prior year cross-border health reconciliations in 2023-24.
- 4.37 The Directorate's net cost of services (\$1 668 million) was \$71 million (4 percent) higher than the budgeted net cost of services (\$1 597 million). This increase was primarily driven by higher-than-expected expenditure partially offset by greater than anticipated cross-border (interstate) health revenue as previously mentioned.
- 4.38 The Directorate receives contributions from the Commonwealth Government and the ACT Government to fund public hospital services.

- 4.39 Commonwealth Government contributions were \$48 million (9 percent) lower than budget as a result of the conclusion of the National Partnership Agreement with ACT Government on COVID-19 Response in December 2022.
- 4.40 Contributions from the ACT Government were \$111 million (11 percent) higher due to additional contributions received for payment to Canberra Health Services primarily aimed at supporting sustainable public health services in ACT and initiatives related to infectious disease prevention and response, as well as expanding inpatient services at the University of Canberra Hospital.

ActewAGL Joint Venture

- 4.41 The ActewAGL Joint Venture (ActewAGL) provides electricity and gas (energy) to consumers in the ACT and surrounding regions. ActewAGL also owns and operates the energy networks which distribute energy to these customers.
- 4.42 ActewAGL consists of the ActewAGL Retail Partnership and ActewAGL Distribution Partnership. The Territory's 50 percent interest in the ActewAGL Retail Partnership and ActewAGL Distribution Partnership is held by Icon Water Limited (Icon Water) through its subsidiaries, Icon Retail Investments Limited and Icon Distribution Investments Limited respectively. Icon Water is discussed later in this Report.

Summary

- The Audit Office issued unmodified auditor's reports on the 2023-24 financial reports of the ActewAGL Joint Venture, ActewAGL Retail Partnership and ActewAGL Distribution Partnership.
- ActewAGL's profit in 2023-24 (\$94 million) was \$219 million (70 percent) lower than the profit generated in 2022-23 (\$313 million). This was due to the financial impact of the large-scale feed-in tariff scheme (LFiT) which is administered by Evoenergy (a part of the ActewAGL Distribution Partnership) on behalf of the ACT Government. Higher wholesale energy costs and a decrease in energy consumption across the region also contributed to lower profit this year.
- ActewAGL had sufficient short-term assets to meet its short-term liabilities as at 30 June 2024.
- ActewAGL adequately resolved 1 of the 4 previously reported audit findings related to lack of automated process to remove the terminated users access to Velocity Distribution and Velocity Retail system.
- ActewAGL partially resolved 3 remaining previously reported audit findings related to the gas network impairment assessment, creation and modification of users and change management reviews for a legacy Financial Management Information System (Oracle E-Business Suite).
- Eight new audit findings were identified in 2023-24 and this includes 6 audit findings associated with transition to a new Financial Management Information System.

Financial results

Table 4-6 Key results

	Actual 2023-24 \$m	Actual 2022-23 \$m
<i>Excerpts from the statement of profit or loss and other comprehensive income</i>		
Income	962	1 057
Expenses	(868)	(744)
Profit	94	313
<i>Excerpts from the statement of changes in joint venture funds</i>		
Distributions paid to partners	119	84
Distributions paid to Icon Water (50 percent)	59	42

- 4.43 A significant portion of ActewAGL's income is derived from the sale and distribution of energy.
- 4.44 The expenses for ActewAGL primarily include energy purchases and network distribution costs, employment costs, depreciation and amortisation, and other operating costs.
- 4.45 ActewAGL's profit in 2023-24 (\$94 million) was \$219 million (70 percent) lower than the profit generated in 2022-23 (\$313 million). This was mainly due to the return of LFiT scheme over-recoveries from previous periods to customers through lower network charges, and higher payments made to generators due to a lower than forecast wholesale electricity price. Higher wholesale energy costs and a decrease in energy consumption across the region due to milder weather also resulted in lower profit this year.
- 4.46 The ActewAGL Distribution Partnership administers the LFiT scheme, making payments to generators on behalf of ACT Government. These payments are the difference between the contracted feed-in tariff and the actual wholesale electricity price. Any discrepancies in the wholesale price or volumes affect customer pricing and are adjusted in future price resets as an over or under recovery from prior years. ACT Government determines the level of such adjustments that are passed on to customers based on historical recoveries and forecasted wholesale electricity prices and generation volumes.
- 4.47 Distributions paid to partners this year (\$119 million) increased by \$35 million (42 percent) from the prior year (\$84 million). In the prior year, distributions were kept lower to account for future cash flow impacts related to the return of LFiT over-recoveries discussed above.

Financial position

Table 4-7 Net short-term assets

At 30 June	Actual 2024 \$m	Actual 2023 \$m
Short-term assets	432	546
Short-term liabilities	285	280
Net short-term assets	147	266
Ratio of short-term assets to short-term liabilities	1.5 to 1	2.0 to 1

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

4.48 ActewAGL had sufficient short-term assets to meet its short-term liabilities as at 30 June 2024.

4.49 Current assets decreased by \$114 million (21 percent) primarily attributed to a decrease in cash and cash equivalents, due to the return of previous LFIT over-recoveries to customers as discussed above.

Audit findings

Table 4-8 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
4	(1)	3	-	8	11*

* ActewAGL has satisfactorily addressed one new audit finding reported in 2023-24 in 2024-25.

4.50 ActewAGL resolved one previously reported audit finding relating to the process for automated termination of access to revenue and billing systems reducing the risk users retain access to the systems post their separation from the entity.

4.51 Three previously reported audit findings have been partially resolved. These are related to:

- discount rates used in the impairment assessment for the gas network requiring further refinement to comply with better practice;
- the operating procedures not being consistently followed in relation to Oracle access management which could result in inappropriate access to the system; and
- change management for an Oracle E-Business Suite used as part of a shared services arrangement with Icon Water Limited requiring additional controls over direct data changes in the absence of effective logs utilised.

4.52 Eight new findings were identified in 2023-24 and this includes 6 findings associated with the transition to a new Financial Management Information System.

4.53 ActewAGL has agreed with 6 of the 8 new findings related to:

- reviewing ActewAGL's access management procedures for Aurion and to resolve any conflicting duties identified. ActewAGL has already addressed this audit finding in 2024-25 by establishing a second level review for the Aurion user access to avoid a segregation of duties conflict in the user access review process;
- reviewing ActewAGL's access termination procedures for Oracle E-Business Suite to ensure an individual's user access is deactivated in line with their termination/network deactivation date;
- consistently utilising ActewAGL's standard access request forms for new users and modified users in Oracle Fusion, and ensuring relevant approvals are obtained before processing access requests. Reviewing user administration activities performed during the hypercare period to ensure that all access administration activities are appropriate or performing the full user access review to determine that all users have the appropriate level of access;
- enhancing ActewAGL's temporary privileged access management procedures for Oracle Fusion;
- reviewing ActewAGL's leave procedures in Aurion to ensure an individual's user access is deactivated in line with their separation date from the entity. Also, to consider a regular review of ServiceNow (HR) offboarding notifications to ensure all terminated users have their access to Aurion deactivated in a timely manner; and
- investigating the cause of the break in the process when a user is not automatically disabled from the automated user de-activation process implemented by ActewAGL for Oracle Fusion by integrating separation data from Aurion.

4.54 ActewAGL has agreed partially with 2 of the 8 new findings related to:

- Performance of a comprehensive user access review for Oracle Fusion post go-live.
 - ActewAGL advised that:

Access was tightly controlled and released to users based on business requirements during the production verification testing period. Now that we are in the support period, a full user access review is currently being undertaken and key business stakeholders consulted for appropriateness of access.
- Conducting a retrospective review for all changes deployed during hypercare for Oracle Fusion.
 - ActewAGL advised that:

Whilst minor issues were not formally tracked, more significant defects with system functionality were adequately monitored for tracking purposes.

Canberra Health Services

- 4.55 Canberra Health Services is responsible for the provision of public hospital and health services to residents of the ACT through its public hospitals, walk-in centres and community health centres and this responsibility extends beyond the borders of the ACT into surrounding New South Wales.
- 4.56 On 3 July 2023, Calvary Public Hospital Bruce was acquired² by Canberra Health Services and renamed North Canberra Hospital. This change took effect following the enactment of the *Health Infrastructure Enabling Act 2023* (Act) on 2 June 2023 and it brings all ACT public hospital and health services into one integrated public system.
- 4.57 Public hospital and health services are mostly paid for by funding received from the ACT Local Hospital Network. Information on the ACT Local Hospital Network is discussed earlier in this chapter.
- 4.58 The ACT Local Hospital Network also provided Grants and Purchased Services funding to Calvary Public Hospital Bruce, which was redirected to Canberra Health Services from 3 July 2023.

Summary

- The Audit Office issued an unmodified auditor's report on the Canberra Health Service's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- Expenses (\$2 223 million) were \$550 million (33 percent) higher than the budgeted amount (\$1 673 million) largely due to higher operational expenses driven by the acquisition of North Canberra Hospital and higher demand for medical services. This also resulted in the operating deficit (\$159 million) being higher than the budgeted deficit (\$69 million) by \$90 million.
- Income (\$2 064 million) exceeded the budget (\$1 604 million) by \$460 million (29 percent) largely due to the receipt of Local Hospital Network funding for North Canberra Hospital.
- Capital injections (\$68 million) were \$10 million (13 percent) lower than the budgeted amount (\$78 million) due to funding not drawn for several projects as a result of projects being deferred from reprioritisation to align with the North Canberra Hospital redevelopment and unexpected delays in the procurement of equipment.

² The term 'acquired' has been used here for financial reporting purposes. That is, although the 'business' of Calvary Public Hospital Bruce (CPHB) was not acquired, for financial reporting purposes, the acquisition of CPHB's operations and net assets through legislation resulted in Canberra Health Services gaining control over the ordinary activities to provide hospital services therefore meeting the definition of 'acquisition' for financial reporting purposes.

- Two of the 3 previously reported audit findings in relation to the reconciliation of inventories and independence of internal audit were resolved. One previously reported audit finding remained partially unresolved relating to bank reconciliations.

Financial results

Table 4-9 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(2 223)	(1 673)	(1 674)
Income	2 064	1 604	1 584
Operating deficit	(159)	(69)	(90)
Capital injections	68	78	53

- 4.59 Canberra Health Services' expenses mostly consist of employee expenses and supplies and services costs such as visiting medical officers, clinical and surgical supplies, domestic services, food, utilities, and insurance costs. The increase in 2023-24 is mainly driven by the acquisition of North Canberra Hospital and higher demand for health services.
- 4.60 Canberra Health Services receives income mostly for the provision of public hospital and healthcare services from the ACT Local Hospital Network.
- 4.61 Income (\$2 064 million) exceeded the budgeted amount (\$1 604 million) by \$460 million (29 percent) primarily due to Local Hospital Network funding for North Canberra Hospital now being received by Canberra Health Services.
- 4.62 Canberra Health Services' operating deficit (\$159 million) was higher than the budgeted deficit (\$69 million) by \$90 million (130 percent) mainly due to higher supplies and services expenses associated with visiting medical officers, clinical and surgical supplies, domestic services, food, utilities, and insurance costs and higher employee expenses driven by the acquisition of North Canberra Hospital and higher demand for health services.
- 4.63 Capital injections (\$68 million) were \$10 million (13 percent) lower than the budgeted amount (\$78 million) largely due to funding not being fully drawn for several projects, due to a combination of project works being deferred from reprioritisation to align with the North Canberra Hospital redevelopment and unexpected delays in the procurement of equipment.

Audit findings

Table 4-10 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
3	(2)	1	-	-	1

- 4.64 Two of the 3 previously reported audit findings were resolved, and 1 was partially resolved.
- 4.65 Canberra Health Services resolved an audit finding relating to the reconciliation of inventories in 2023-24 by reconciling the annual stocktake report with inventory balance reported in the financial statements as at 30 June 2024.
- 4.66 In 2022-23, the Audit Office reported that Canberra Health Services appointed the Senior Director of Strategic Finance as the Head of Internal Audit, who had extensive operational duties and responsibilities for financial management and reporting. This creates an actual or perceived conflict of interest between the roles. In 2023-24, the Audit Office noted that the Internal Audit function is being transferred to the Strategy and Governance Branch, under the responsibility of the Executive Branch Manager, Strategy and Governance. A Head of Internal Audit was appointed in August 2024 and work is currently underway to handover all internal audit responsibilities to the new Head of Internal audit.
- 4.67 Canberra Health Services partially resolved an audit finding relating to not performing the bank reconciliations for the ACT Canberra Hospital Pathology Account in 2023-24. The Audit Office found that while monthly and year end bank reconciliations were prepared, they were not prepared in a timely manner i.e. within two weeks of the end of the month. Bank reconciliations should be prepared and reviewed in a timely manner to promptly identify and correct any misstatements in the financial statements and irregularities including fraud.
- 4.68 Canberra Health Services has agreed to address this audit finding.

Canberra Institute of Technology

4.69 The Canberra Institute of Technology (Institute) is the Registered Training Organisation (RTO) that delivers vocational education services to students. The institute also offers training programs to public and private sector organisations.

Summary

- The Audit Office issued an unmodified auditor's report on the Institute's 2023 financial statements and an unmodified limited assurance report on its 2023 statement of performance.
- The net cost of the Institute's services (\$90 million) was lower than the budgeted net cost of services (\$104 million) mainly due to receipt of government funding for Fee Free Tafe and the completion of the Job Trainer 1 initiative.
- One of the 2 previously reported audit findings relating to fraud and corruption prevention plan and Strategic Risk Register was resolved during the audit.
- The previously reported audit finding relating to the regular reconciliation of revenue recorded in the student administration system and financial management system was partially resolved during the audit.

Financial results

Table 4-11 Key results (calendar years)

	Actual 2023 \$m	Budget 2023 \$m	Actual 2022 \$m
Expenses	(139)	(137)	(125)
Income	49	33	31
Net cost of services	(90)	(104)	(94)
Government contributions	84	81	79
Operating deficit	(6)	(23)	(15)

4.70 Expenses are largely comprised of employee costs and operational costs such as information technology, contractors and repairs and maintenance of campus facilities. Expenses (\$139 million) were consistent with the budgeted amount (\$137 million).

- 4.71 Income is mainly derived from providing tertiary education services to students and funding from ACT Government for students undertaking funded courses. Income (\$49 million) was \$16 million (48 percent) higher than the budgeted amount (\$33 million). This was mainly from unbudgeted government funding received for fee free Technical and Further Education (TAFE) for CIT to deliver fee free training and pre-apprenticeship places and the completion of the job Trainer 1 initiative. The job Trainer 1 initiative assisted school leavers and job seekers in the ACT with access to fee free training opportunities.
- 4.72 The Institute's net cost of services (\$90 million) was lower than the budgeted net cost of service (\$104 million) mainly due to higher income as discussed above.
- 4.73 Government contributions (\$84 million) were consistent with the budgeted amount (\$81 million).

Audit findings

Table 4-12 Status of audit findings

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

- 4.74 One of the 2 previously reported audit findings was resolved and the remaining 1 was partially resolved. No new audit findings were identified.
- 4.75 The Institute resolved one audit finding by finalising and approving its Fraud and Corruption Framework which includes the Fraud and Corruption Prevention Plan and Strategic Risk Register.
- 4.76 One previously reported audit finding was partially resolved. The Audit Office had recommended the Institute to implement a process to perform regular reconciliations of revenue recorded in the student administration system and financial management system. However, in 2023 the reconciliations were only performed monthly for the last three months of the calendar year and were also not reviewed in a timely manner.
- 4.77 The Institute has agreed to address the finding.

Cemeteries and Crematoria Authority

- 4.78 The Cemeteries and Crematoria Authority (Authority) was established on 23 August 2020 under the *Cemeteries and Crematoria Act 2020* (Act). The Authority previously operated as the ACT Public Cemeteries Authority under the *Cemeteries and Crematoria Act 2003*.
- 4.79 The Authority is responsible for managing and operating public cemeteries in Gungahlin, Woden and Hall, the Mausoleum at the Woden Cemetery and the crematorium at the Gungahlin Cemetery.
- 4.80 A Perpetual Care Trust (PCT) has been established under the Act for the long-term maintenance of the cemetery facilities operated by the Authority. The Act requires a percentage of the Authority's revenue from operating the facilities to be paid into the PCT for the purpose of maintaining the facility to an acceptable once a cemetery is closed.
- 4.81 An amendment to the Act was made in 2023-24 through the Cemeteries and Crematoria Amendment Bill which clarified that the Territory is responsible for the future maintenance of closed cemeteries facilities.

Summary

- The Audit Office issued a modified auditor's report with a qualified opinion on the Authority's 2023-24 financial statements as the Authority did not recognise assets and liabilities relating to the PCT in its financial statements as required by Australian Accounting Standards. Except for this matter the financial statements:
 - present fairly, in all material respects, the Authority's financial position as at 30 June 2024, and its financial performance and cash flows for the year then ended; and
 - are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.
- The Audit Office issued an unmodified limited assurance report on the Authority's 2023-24 statement of performance.
- The Authority resolved 2 of the 3 previously reported audit finding by providing complete working papers in relation to related party disclosures, and by amending the *Cemeteries and Crematoria Act 2020* to transfer the assets and liabilities relating to the PCT to the Transport Canberra and City Services Directorate.
- The Authority did not resolve previously reported audit finding relating to control weaknesses in the revenue information system.

Modified auditor's report with a qualified opinion

- 4.82 The Authority pays contributions relating to the PCT which are invested by the ACT Public Trustee and Guardian in accordance with the Act.
- 4.83 A modified auditor's report with an adverse opinion was issued on the Authority's 2021-22 and 2022-23 financial statements relating to the non-recognition of material amounts of

assets and liabilities in the balance sheet relating to the PCT including investments of \$12.4 million and a provision for long term maintenance of cemetery facilities of \$45.2 million.

- 4.84 The Authority's Board had advised that they believed they were not responsible for the PCT arrangements and would seek amendments to the *Cemeteries and Crematoria Act 2020* (Act) to clarify the responsibilities. On 19 April 2024, the Cemeteries and Crematoria Amendment Bill was passed amending the Act to state that the Territory is responsible for the future maintenance of closed cemeteries facilities.
- 4.85 On 28 June 2024, the Treasurer approved a formal equity designation to transfer the assets and liabilities relating to the PCT to the Transport Canberra and City Services Directorate.
- 4.86 An actuarial assessment of the provision for long term maintenance of closed cemeteries facilities was performed on behalf of the Transport Canberra and City Services Directorate and subsequently reviewed by the Audit Office's actuarial expert. As a result of the actuarial review, the provision decreased by \$16.7 million to \$28.5 million.
- 4.87 Under Australian Accounting Standards and ACT Accounting Policy, the Authority should have recorded the movement in the provision from actuarial review prior to its transfer to the Transport Canberra and City Services Directorate (as assets and liabilities transferred via a formal equity designation must be transferred at fair value).
- 4.88 While the Authority is no longer required to recognise the PCT assets and liabilities in their balance sheet at 30 June 2024 due to the recent amendments to their Act, the Authority should have recorded in its 2023-24 financial statements:
- net liabilities transferred through equity designation' of \$14.3 million (PCT investments of \$14.2 million at 30 June 2024 less the provision for maintenance of closed cemeteries facilities of \$28.5 million) in the statement of changes in equity;
 - the decrease in the provision for long term maintenance of closed cemeteries facilities by \$16.7 million due to actuarial review to reflect its fair value prior to its transfer; and
 - in the prior period, the funds within the PCT as an asset, as the Authority controlled the funds in accordance with the Australian Accounting Standards, and a provision for maintenance obligations in accordance with Australian Accounting Standard AASB 137: 'Provisions, Contingent Liabilities and Contingent Assets'.
- 4.89 The non recording of the above amounts was assessed as material to the Authority's financial statements.
- 4.90 The Audit Office has determined, that under Australian Auditing Standards, a modified auditor's report with a qualified opinion is appropriate. This is because the impact of errors is considered materially significant to the financial statements and the Authority has included appropriate disclosure of these matters in its financial statements.

Audit findings

Table 4-13 Audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
3	(2)	-	1	-	1

- 4.91 In 2021-22 and 2022-23, the workpapers submitted for audit in relation to related party disclosures were not sufficient as they did not include a completed form for one of the Authority's Board members or an assessment on how the accuracy and completeness of related party transactions were obtained when all completed forms are not available. In 2023-24, the Authority resolved this finding by including complete workpapers in relation to the related party disclosures.
- 4.92 In 2021-22 and 2022-23, the Authority did not recognise the PCT Asset and Provision for Long Term Maintenance Obligations in its financial statements. This resulted in an adverse opinion being issued on the Authority's financial statements for noncompliance with Australian Accounting Standards. In 2023-24, the finding was resolved by amending the Act and approving a formal equity designation to transfer the assets and liabilities relating to the PCT to the Transport Canberra and City Services Directorate.
- 4.93 The Authority did not resolve one remaining previously reported audit finding in relation to a weakness in the revenue information system as the system does not have the capability to generate audit logs for monitoring key updates and changes; and updates to key system data is not reviewed and documented by an independent officer. This increases the risk of incorrect or fraudulent changes to the system and data will not be promptly detected and rectified.
- 4.94 The Authority has agreed with the audit finding and is working on implementing a new revenue information system.

Chief Minister, Treasury and Economic Development Directorate

- 4.95 The Chief Minister, Treasury and Economic Development Directorate (Directorate) provides strategic advice and support to the Chief Minister, the Directorate's Ministers and Cabinet on policy, economic and financial matters, service delivery, whole of government issues and intergovernmental relations.
- 4.96 The Directorate is responsible for a range of functions, including but not limited to:
- coordinating the Territory's budget process and ensuring appropriate financial management;
 - providing planning, development, support and direction across the ACT Public Service on government policy and strategies;
 - collecting and managing the Territory's taxation revenue;
 - providing ACT Government agencies with information and communication technology, property management, human resources, financial, procurement, publishing and records management services;
 - promoting and facilitating business development, skills training, tourism, arts and major sporting events; and
 - providing licencing and regulatory services to businesses and the community.

Administrative Arrangements

- 4.97 Under the Administrative Arrangements 2023 (No 1), ACT Property Group was transferred from the Directorate to Major Projects Canberra from 12 December 2023.
- 4.98 ACT Property Group provides accommodation and maintenance services on behalf of the ACT Government for its owned and leased properties. The administrative arrangements resulted in 5 percent (141) of employees, 71 percent (\$1 660 million) of the assets and 85 percent (\$876 million) of the liabilities being transferred from the Directorate to Major Projects Canberra. This also led to a reduction in Directorate's revenue and expenses of 35 percent (\$85 million) and 12 percent (\$118 million) respectively.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2023-24 financial statements and an unmodified limited assurance report on the Directorate's 2023-24 statement of performance.
- ACT Property Group was transferred from the Directorate to Major Projects Canberra in December 2023 under an administrative arrangement. This transfer had a significant financial impact on the operating results and financial position of the Directorate, compared to the budget.

- The net cost of the Directorate's services (\$671 million) was \$66 million lower than the budgeted amount (\$737 million) due to a decrease in expenses more than offsetting lower revenue.
- Government contributions (\$600 million) were \$46 million lower than the budgeted amount (\$646 million) mainly due to the timing of grant payment milestones associated with several training and skills development programs.
- The Directorate resolved 3 previously reported audit findings, including 1 related to the timely review of fortnightly salary reports, which was first reported in 2013-14.
- The previously reported audit finding regarding the usefulness of accountability indicators in the statement of performance remains partially resolved.
- Two new audit findings were identified in 2023-24 in relation to:
 - insufficient or inappropriate audit evidence to support the interim results of two accountability indicators in the statement of performance; and
 - inability to provide transaction data in a timely manner for some fees and fines revenue balances reported in the financial statements from a legacy system.

Financial results

Table 4-14 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2021-22 \$m
Expenses	(852)	(981)	(963)
Income	181	244	403
Net cost of services	(671)	(737)	(560)
Government contributions	600	646	483
Operating deficit	(71)	(91)	(77)

4.99 As previously mentioned, the transfer of the ACT Property Group from the Directorate to Major Projects Canberra halfway through the 2023-24 financial year had a significant financial impact on the Directorate compared to the budget.

4.100 The Directorate's expenses are mostly comprised of employee expenses, information technology equipment, infrastructure and software licensing costs, expenses for consultants, contractors and professional services, property repairs and maintenance costs, depreciation and amortisation as well as grants paid for skills training programs, arts, sports and tourism events such as Floriade.

- 4.101 Expenses (\$852 million) were \$129 million lower than the budgeted amount (\$981 million). This was mainly due to:
- the transfer of ACT Property Group to Major Projects Canberra resulting in lower repairs and maintenance costs and depreciation expenses up to 11 December 2023, compared to the 12-month period anticipated in the budget; and
 - less-than-expected programs completion for several grants programs which support skills and workforce training and development, business and innovation and provide funding for a number of arts and sporting programs.
- 4.102 These were partially offset by higher than expected employee expenses related to greater than anticipated average staff numbers mostly to meet demand for new or additional functions and services at the Office of Industrial Relations and Workforce Strategy and Access Canberra, despite the transfer of 141 employees to Major Projects Canberra, as discussed above.
- 4.103 Income is mainly derived from providing information and communication technology services and support as well as office accommodation, property management, human resources, finance, procurement, work safety, and records management services to other ACT Government agencies. Income is also received from non-ACT Government sources, mainly from tourism and sporting events.
- 4.104 Income (\$181 million) was lower than the budget (\$244 million) by \$63 million mainly due to the transfer of ACT Property Group to Major Projects Canberra. This resulted in reduced rental income from tenants and property management services revenue attributed to the Directorate, particularly related to repairs and maintenance work.
- 4.105 Income (\$181 million) was 55 percent (\$222 million) lower than the prior year amount (\$403 million) mainly due to:
- a \$85 million reduction in rental income and revenue from property management services. Income from these sources attributed to the Directorate in 2023-24 was only up to 11 December 2023, compared to the full 12-month period in 2022-23 due to the transfer of the ACT Property Group as discussed previously; and
 - a one off gain of \$62 million in 2022-23 from the settlement of loan liabilities that the Directorate was no longer required to pay.
- 4.106 The net cost of the Directorate's services (\$671 million) was \$66 million lower than the budgeted amount (\$737 million) due to the decrease in expenses more than offsetting the lower revenue, as discussed above.
- 4.107 Government contributions (\$600 million) were not fully drawn by \$46 million than anticipated in the budget (\$646 million) as the Directorate did not fully draw down all its budgeted appropriation. This was mainly due to lower than expected grants payments as a result of timing of training and skills development program where anticipated grant payments could not be disbursed until relevant courses or units were completed by enrolled individuals. Lower than expected grants expenses were relating to existing Fee-Free TAFE

courses and several new programs associated with the National Agreement on Skills and Workforce Development, the Skilling Australians Fund, the JobTrainer Fund as well as the Future Jobs Fund.

- 4.108 The Directorate's Territorial operations mainly consist of revenue collected for taxes, licences, fees and fines and from grants received from the Commonwealth Government. This revenue is discussed in Chapter 1: 'The Territory's financial statements'.

Audit findings

Table 4-15 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
4	(3)	1	-	2	3

- 4.109 The Directorate resolved 3 previously reported audit findings by:

- conducting the timely review of fortnightly salary reports and retaining evidence of these reviews. This audit finding was first reported to the Directorate in 2013-14;
- investigating and reconciling long outstanding items in the bank reconciliations and documenting guidelines and procedures for staff to follow to resolve future issues with unreconciled items in the bank reconciliations; and
- ensuring two accountability indicators in the statement of performance provided adequate information on the extent to which the performance criteria set out in the budget had been met, ensuring they comply with the reporting requirements of the *Financial Management Act 1996*.

- 4.110 The audit finding reported since 2017-18 regarding the usefulness of accountability indicators in the statement of performance remains only partially resolved. While the Directorate has removed or replaced some accountability indicators that did not provide readers of the statement of performance with useful information on the performance, some indicators remain that continue to focus on routine activities rather than measuring the efficiency and effectiveness of service delivery and outcomes. When accountability indicators continue to measure inputs (routine activities performed), rather than measuring the effectiveness and efficiency (outcomes), the Directorate's statement of performance may not provide readers with useful information about its performance.

- 4.111 Two new audit findings were identified in 2023-24 in relation to:

- the adequacy of evidence to support the interim reported results for two of the accountability indicators included in the statement of performance. Although the Directorate subsequently provided appropriate and verifiable evidence to support the reported results of its accountability indicators, there is an increased risk the results may be incorrect or could mislead readers about the actual performance of the Directorate where supporting evidence for the results cannot be provided or independently verified; and

- the ability to produce transaction data in a timely manner for some fees and fines revenue balances reported in the financial statements. The Directorate required considerable time to extract and provide reports (i.e. transaction data) from the Rego.act system for driving licences and fixed speed and red-light camera fines revenue balances. The Directorate advised that the additional time was required due to technical limitations in this legacy system, which led to delays in report production. System limitations in extracting and providing requested data increase the risk that the audit of transactions recorded in legacy information systems may not be completed on a timely basis.

4.112 The Directorate has agreed to address all audit findings.

Community Services Directorate

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

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The net cost of the Directorate's services (\$317 million) was \$42 million (15 percent) higher than the budgeted net cost of services (\$275 million) mainly due to higher expenses from the first time recognition of a provision relating to the civil compensation claims associated with historical Institutional Child Sexual Abuse, and higher grants and purchased services expenses.
- Territorial payments representing the ACT Government's contributions (\$191 million) to the Commonwealth Government for the National Disability Insurance Scheme (NDIS) were only slightly lower than the budget (\$193 million).
- The Directorate resolved 1 of the 2 previously reported audit findings in 2023-24. The audit finding in relation to related party workpapers to support the disclosures in the financial statements was resolved. The other finding relating to the Statement of Performance, remains partially resolved.

Financial results

Table 4-16 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(352)	(302)	(279)
Income	35	27	16
Net cost of services	(317)	(275)	(263)
Government contributions	272	270	254
Operating deficit	(45)	(5)	(9)

- 4.114 Expenses mainly comprise employee expenses, administrative costs (i.e. information technology, office accommodation, legal costs and contractor and consultant costs), and payments to non-government organisations for services such as out-of-home care for children and child protection programs.
- 4.115 Expenses (\$352 million) were higher than the budgeted amount (\$302 million) by \$50 million mainly as a result of higher than anticipated:
- expenses mainly due to the first time recognition of a provision relating to civil compensation claims associated with historical Institutional Child Sexual Abuse; and
 - grants and purchased services expenses reflecting increase in costs of more intensive responses for out of home care services and engaging more clinical assessors to provide evidence-based responses for individuals.
- 4.116 Income mainly includes:
- resources received free of charge mainly for legal services, finance and human resources from other ACT Government entities;
 - rental income from Affordable Rental Scheme properties relating to housing needs of older and low income Canberrans;
 - grants from the Commonwealth Government and the ACT Government to fund various Community programs; and
 - reimbursement from Housing ACT for shared costs and functions including human resources and governance services.
- 4.117 Income (\$35 million) exceeded the budgeted amount (\$27 million) by \$8 million. This was mainly due to higher than anticipated reimbursement of shared corporate services from Housing ACT, as well as resources received free of charge for services such as information and communication technology, legal, finance, human resources and records management services.
- 4.118 The net cost of the Directorate's services (\$317 million) exceeded the budgeted net cost of services (\$275 million) by \$42 million mostly due to the higher than budgeted expenses as discussed above.
- 4.119 Government contributions (\$272 million) were only slightly higher than the budgeted amount (\$270 million).

Table 4-17 Key results – Territorial expenses

Grants and purchased services	Actual 2023-24 \$m	Budget 2023-24 \$m
National Disability Insurance Scheme (NDIS)	191	193

4.120 Territorial expenses relate to the financial contributions of the ACT Government to the Commonwealth Government for the Territory's cost of the NDIS. In 2023-24, these expenses were slightly lower than the budget.

Audit findings

Table 4-18 Status of audit findings

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

4.121 One of the 2 previously reported audit findings was resolved, and 1 was partially resolved.

4.122 The Directorate resolved 1 previously reported audit finding in relation to the disclosure of related party transactions by ensuring complete set of working papers were available to support the disclosure.

4.123 One previously reported audit finding relating to the Statement of Performance remained partially resolved as there continues to be some accountability indicators that do not provide a meaningful assessment of the Directorate's performance.

4.124 The Directorate has agreed to address the audit finding.

Education Directorate

4.125 The Education Directorate (Directorate) provides education from preschool to Year 12 in ACT public schools, registers and regulates home education, early childhood education and care services, and non-government schools, and manages international student enrolments.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The net cost of the Directorate's services (\$1 093 million) was \$31 million (3 percent) higher than the 2023-24 budgeted cost of (\$1 062 million). This increase is primarily attributed to higher staff costs from new enterprise agreements and the first time recognition of civil claims related to institutional child sexual abuse.
- Government contributions were \$986 million, \$17 million (2 percent) higher than the 2023-24 budget, mainly due to higher payments required under the new enterprise agreement settled in August 2023.
- Capital injections (\$187 million) were lower than the budgeted amount (\$225 million) by \$38 million (17 percent) mainly due to delays in planning and construction timeframes with some capital works projects.
- The Directorate resolved the 1 previously reported audit finding in relation to the review of salary reports by consistently reviewing salary reports on a timely basis.

Financial results

Table 4-19 Key results - controlled

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(1 181)	(1 139)	(1 074)
Income	88	77	64
Net cost of services	(1 093)	(1 062)	(1 010)
Government contributions	986	969	929
Operating deficit	(107)	(93)	(81)
Capital injections	187	225	155

4.126 Expenses mainly consist of:

- employee expenses including superannuation;
- supplies and services expenses including costs relating to property maintenance, materials and services, depreciation expenses;
- grants including free three year old preschool program; and
- school operating expenses including utilities, cleaning, security, maintenance, the cost of external educational enrichment activities such as school excursions.

4.127 Income mainly consists of:

- school revenue that relates to voluntary contributions, fund raising and excursion activities;
- human resources and information communication and technology services received free of charge from Shared Services and Digital Data, and Technology Solutions Group respectively;
- international student enrolment fees; and
- funding from the Commonwealth Government for the Jervis Bay Territory School and the French-Australian Program provided at Telopea Park School.

4.128 The net cost of the Directorate's services (\$1 093 million) was \$31 million (3 percent) higher than the 2023-24 budgeted cost of \$1 062 million. This increase is primarily attributed to higher staff costs from new enterprise agreement and the first time recognition of civil claims related to institutional child sexual abuse.

4.129 Government contributions amounted to \$986 million, which is \$17 million (2 percent) higher than the 2023-24 budget of \$969 million. This increase is mainly due to higher payments required under the new enterprise agreement settled in August.

4.130 Capital injections (\$187 million) were lower than the budgeted amount (\$225 million) by \$38 million (17 percent) mainly due to rescheduling of funding for some capital works into 2024-25 and future years due to delays with planning and construction timeframes, including the expansion of Margaret Hendry Primary School and the construction of new schools – Aunty Agnes Shea High School and Strathnairn Primary School.

Table 4-20 Key results - Territorial expenses

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Grants to non-government schools	363	353	349
Total expenses	363	353	349

- 4.131 Territorial expenses mostly consist of grants paid to non-government schools. The Directorate receives funding from the ACT Government and the Commonwealth Government to provide these grants.
- 4.132 Grants paid to non-government schools (\$363 million) was \$10 million (3 percent) higher than the 2023-24 budget cost of \$353 million due to increased Commonwealth and ACT Government Quality Schools grants in line with the extended National School Reform Agreement.

Audit findings

Table 4-21 Status of audit finding

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

- 4.133 The Directorate resolved the one previously reported audit finding related to the review of salary reports by consistently reviewing salary reports on a timely basis.

Environment, Planning and Sustainable Development Directorate

- 4.134 The Environment, Planning and Sustainable Development Directorate (Directorate) is responsible for a wide range of policies and programs including climate change policy, energy policy, nature conservation, environment protection policy, water, heritage, strategic and statutory planning, development approvals, building policy, land policy and urban design.
- 4.135 The Directorate also has the responsibility for urban renewal including land supply and manages nature reserves, national parks, plantation forests and rural lands.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- Expenses totalling \$307 million were \$21 million (6 percent) lower than the budgeted cost of \$328 million mainly due to the market price for LSGCs at 30 June 2024 being lower than the price estimated in the budget.
- Income (\$131 million) was \$17 million (11 percent) lower than the budgeted income (\$148 million) mainly due to lower than expected number of Large-Scale Generation Certificates surrendered and a lower spot price at 30 June 2024.
- Capital injections (\$23 million) were lower than budget (\$30 million) by \$7 million (23 percent) due to extended delays with procurement negotiations for environment and planning projects.
- One previously reported audit finding relating to corrections in the results reported in the statement of performance remained unresolved due to further corrections identified in addition to inadequate documentation supporting some of the results reported in the Directorate's 2023-24 half yearly statement of performance.

Financial results

Table 4-22 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(307)	(328)	(319)
Income	131	148	151
Net cost of services	(176)	(180)	(168)
Government contributions	170	174	150
Operating deficit	(6)	(6)	(18)
Capital injections	23	30	31

- 4.136 Expenses mainly consist of costs associated with Large-Scale Generation Certificates (LSGCs), employee costs including superannuation, supplies and services expenses and other expenses including rebates.
- 4.137 Expenses totalling \$307 million were \$21 million (6 percent) lower than the budgeted cost of \$328 million mainly due to the market price for LSGCs at 30 June 2024 of \$45.50 per megawatt-hour (MWh) being lower than the price estimated in the budget of \$51.00 per MWh. This is partially offset by higher employee expenses and amounts transferred to Government from land sales in excess of costs to remediate the land under the Loose-Fill Asbestos Insulation Eradication Scheme.
- 4.138 Under the *Electricity Feed-in (Large-scale Renewable Energy Generation) Act 2011*, large-scale generators of electricity are required to create renewable energy certificates and provide these certificates to the Directorate. While these certificates are received initially at no cost to the Directorate, they are subsequently valued and recognised as an intangible asset and revenue. A corresponding liability and an expense is also created to reflect the present obligation created by the ACT Government's policy decision to surrender LSGCs to ACT's licensed electricity distributor, Evoenergy to meet its renewable energy target.
- 4.139 Income largely represents the value of LSGCs surrendered to the Directorate by the large-scale generators of electricity.
- 4.140 Income (\$131 million) was \$17 million (11 percent) lower than the budgeted income (\$148 million) mainly due to lower than expected number of LSGCs surrendered and a lower spot price at 30 June 2024 as discussed previously. This was partially offset by higher than budgeted income from valuation increment of forestry assets and higher than budgeted land sales from the remediated Loose-Fill Asbestos Insulation Eradication Scheme land.

- 4.141 The net cost of the Directorate's services (\$176 million) was largely consistent with the budgeted amount (\$180 million).
- 4.142 Government contributions (\$170 million) were only slightly lower than the budgeted contributions (\$174 million).
- 4.143 Capital injections (\$23 million) were lower than budget (\$30 million) by \$7 million (23 percent) due to extended delays with procurement negotiations for environment and planning projects.

Table 4-23 Key results – Territorial income

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Fees	18	17	25
Land revenue	-	3	-
Other	7	8	8
Total income	25	28	33

- 4.144 The Directorate collects fees and land revenue on behalf of the Territory mainly consisting of amounts charged for development applications and lease variations. Land revenue is received from leasing Territorial land and transferring land to the Suburban Land Agency.
- 4.145 Total Territorial income for 2023-24 (\$25 million) is \$3 million (11 percent) lower than budget (\$28 million) mainly due to a reduction in land revenue as no new land transfers to Suburban Land Agency were completed as further due diligence and studies were required.

Audit findings

Table 4-24 Status of audit findings

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

- 4.146 One previously reported audit finding relating to corrections in the results reported in the statement of performance remained unresolved due to further corrections identified in addition to inadequate documentation supporting some of the results reported in the Directorate's 2023-24 half yearly statement of performance.

4.147 When results for accountability indicators included in the statement of performance are incorrectly reported or cannot be supported by evidence, there is a risk that the readers will be misled on the actual performance of the Directorate.

4.148 The Directorate has agreed to address this audit finding.

Housing ACT

- 4.149 Housing ACT provides safe, affordable and appropriate housing to address the needs of socially and financially disadvantaged people. This includes assisting and supporting people experiencing homelessness and people at risk of experiencing homelessness.
- 4.150 Housing ACT has advised that it is currently undertaking significant program to increase the supply of quality public housing through the Growing and Renewing Public Housing Program with the aim to deliver 1 400 renewed or new homes by June 2027.

Summary

- The Audit Office issued an unmodified auditor's report on Housing ACT's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The net cost of Housing ACT's services (\$190 million) was consistent with budgeted net cost of services (\$185 million).
- The value of property portfolio at 30 June 2024 (\$7 998 million) was slightly higher than at 30 June 2023 (\$7 992 million).
- The previously reported audit finding relating to the legislated requirement to perform an annual rent review and to charge market rent to public housing tenants remained partially resolved.
- The Audit Office reported a new audit finding relating to the calculation of rental rebates and the review and approval process prior to the issue of assessment letters to tenants.

Financial results

Table 4-25 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(312)	(286)	(289)
Income	122	101	109
Net cost of services	(190)	(185)	(180)
Government contributions	62	61	64
Gains from disposal and remeasurement of assets	6	5	2
Operating deficit	(122)	(119)	(114)

- 4.151 Expenses mainly consist of public housing property management costs, employee expenses and grants paid to organisations that provide services to people who have become or are at the risk of becoming homeless. Property management costs include repairs and maintenance costs, depreciation of public housing properties, and sewerage, water and general rates.
- 4.152 Expenses (\$312 million) were higher than the budgeted amount (\$286 million) by \$26 million (9 percent) mainly due to higher than anticipated:
- depreciation expenses resulting from the upward revaluation of public housing properties towards the end of prior year; and
 - repair and maintenance costs over the rental property portfolio as a result of works recognised as operational rather than capital expenditure.
- 4.153 Income mainly consists of rent received from public housing tenants. Income (\$122 million) exceeded the budgeted amount (\$101 million) by \$21 million (21 percent) mainly due to:
- tenants receiving higher income from indexation of their social security payments from the Commonwealth Government resulting in an increase in rent recovered;
 - higher than expected insurance recoveries for damage to properties and goods, higher repairs and maintenance recovered from tenants; and
 - higher than expected interest revenue resulting from an increase in interest rates.
- 4.154 The net cost of Housing ACT's services (\$190 million) was consistent with the budgeted net cost of services (\$185 million).
- 4.155 Government contributions of \$62 million were consistent with the budgeted amount (\$61 million).

Property Portfolio

Table 4-26 Number and value of land and dwellings

At 30 June	Actual 2021-22	Actual 2022-23	Actual 2023-24
Number of land parcels – Note 1	6 690	6 585	6 490
Land value (\$m)	\$5 960	\$5 575	\$5 539
Number of dwellings – Note 1	11 521	11 612	11 731
Dwellings value (\$m)	\$2 322	\$2 417	\$2 459
Total value of land and dwellings (\$m)	\$8 282	\$7 992	\$7 998

Source: Information on land and dwellings was provided by Housing ACT.

Note 1: The number of land parcels and dwellings excludes assets held for sale or distribution.

- 4.156 The total value of property portfolio at 30 June 2024 (\$7 998 million) was slightly higher than the value at 30 June 2023 (\$7 992 million).
- 4.157 The number of dwellings has increased by 119 in 2023-24 from 2022-23. Housing ACT has advised that \$257 million is being invested through the *Growing and Renewing Public Housing Program* to renew 1 000 properties and to increase the number of dwellings by at least 400 by 2026-27.

Audit findings

Table 4-27 Status of audit findings

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

- 4.158 The one previously reported audit finding in relation to review of rent charged remained partially resolved. While a rent review was completed in accordance with the requirements of the *Housing Assistance Act 2007*, the decision to pass the rent increase on to tenants had not been made. Housing ACT advised that there was no material impact on the 2023-24 financial statements from not passing the increase in rent on to the tenants.
- 4.159 In 2023-24, a new audit finding was identified in relation to insufficient working papers maintained for the calculation of rental rebates and the review and approval process prior to the issue of assessment letters to tenants. The lack of sufficient working papers to support the rental rebate calculations and absence of a review sign off process for rental rebates increases the risk that documentation and calculation of rebates may be incomplete or inaccurate.
- 4.160 Housing ACT has agreed to address these audit findings.

Icon Water Limited

- 4.161 Icon Water Limited (Icon Water) provides water and sewerage related services and manages its 50 percent interest in the ActewAGL Joint Venture (ActewAGL) energy business. ActewAGL is discussed earlier in this chapter.
- 4.162 Icon Water's two subsidiaries, Icon Retail Investments Limited and Icon Distribution Investments Limited, hold a 50 percent interest in the ActewAGL Retail Partnership and ActewAGL Distribution Partnership respectively.

Summary

- The Audit Office issued unmodified auditor's reports on the 2023-24 financial reports of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited.
- Icon Water's operating profit for the year (\$32 million) was \$28 million (47 percent) lower than the prior year profit (\$60 million) mainly due to a decrease in share of net profit from investment in ActewAGL.
- Icon Water's share of profit from investment in ActewAGL (\$47 million) decreased by \$110 million (70 percent) from the prior year (\$157 million). This was primarily driven by year on year changes in electricity prices impacting the large-scale feed in tariff scheme.
- Icon Water has not declared nor paid dividends in 2023-24 due to its gifted assets exceeding the operating profit for the year.
- Icon Water had sufficient short-term assets to cover its short-term liabilities at 30 June 2024.

Financial results

Table 4-28 Key results

	Actual 2023-24 \$m	Actual 2022-23 \$m
Revenue excluding share of net profit from investment in ActewAGL	404	336
Share of net profit from investment in ActewAGL	47	157
Revenue	451	493
Expenses	(406)	(407)
Operating profit before income tax expense	45	86
Income tax expense	(13)	(26)
Operating profit	32	60
Dividends paid to the ACT Government	-	20

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

- 4.163 Revenue mostly consists of water supply and sewerage charges and Icon Water's share of net profit from investment in ActewAGL.
- 4.164 Revenue excluding Icon Water's share of net profit from investment in ActewAGL (\$404 million) was \$68 million (20 percent) higher than the prior year amount (\$336 million). This was mainly due to annual changes to regulated water and sewerage prices.
- 4.165 Icon Water's share of net profit from investment in ActewAGL in 2023-24 (\$47 million) decreased by \$110 million (70 percent) from the prior year (\$157 million) as the ActewAGL joint venture partnerships recorded lower profits in 2023-24. This was mainly due to year on year changes in electricity prices impacting the large-scale-tariff scheme.
- 4.166 Expenses comprise mainly of business operating costs, interest costs incurred on borrowings, employee expenses and depreciation. Expenses of \$406 million were largely consistent with prior year, being less than 1 percent lower than the prior year's amount of \$407 million.
- 4.167 Income tax expense (\$13 million) was lower than the prior year expense (\$26 million) by \$13 million (50 percent) due to lower taxable profits.
- 4.168 Icon Water's operating profit (\$32 million) was \$28 million (47 percent) lower than the prior year profit (\$60 million), mostly due to decreases in revenue, as discussed above.

- 4.169 No dividends were paid to the ACT Government in 2023-24, compared to \$20 million in 2022-23. Under the current dividend policy of Icon Water, 100 percent of the operating profit excluding revenue from gifted assets should be declared as dividends. No dividend was payable in 2023-24 as the gifted assets (\$38 million) exceeded the operating profit for the year (\$32 million).
- 4.170 Less than 100 percent of the operating profit was paid as dividends in 2022-23 due to a dividend relief from the ACT Government considering the decreases anticipated in share of net profit from investment in ActewAGL.

Financial position

Table 4-29 Net short-term assets

At 30 June	Actual 2023-24 \$m	Actual 2022-23 \$m
Short-term assets	197	149
Short-term liabilities including dividend payable to the ACT Government	(103)	(185)
Net short-term assets/(liabilities)	94	(36)
Ratio of short-term assets to short-term liabilities	1.9 to 1	0.8 to 1

- 4.171 Icon Water had sufficient short-term assets to meet its short-term liabilities at 30 June 2024.
- 4.172 Icon Water's net short-term asset position at 30 June 2024 is stronger than the position at 30 June 2023 largely due to higher short-term assets (\$48 million) from an increase in cash and cash equivalents and lower short-term liabilities (\$82 million) mainly arising from lower current borrowings.

Justice and Community Safety Directorate

- 4.173 The Justice and Community Safety Directorate (Directorate) provides courts, corrections, justice, and emergency services. Policing services provided by the Australian Federal Police are paid through the Directorate's Territorial appropriation.
- 4.174 The Directorate is supported by independent statutory office holders including President and Human Rights Commissioner, Aboriginal and Torres Strait Islander Children & Young People Commissioner, Victims of Crime Commissioner, Discrimination, Health, Disability & Community Services Commissioner, Inspector of Correctional Services, ACT Solicitor-General, Courts and Tribunal Chief Executive Officer, and Director of Public Prosecutions.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The net cost of the Directorate's services (\$486 million) was \$12 million (2 percent) lower than the budgeted net cost of services (\$498 million) mainly due to higher own source revenue, partially offset by slightly higher expenditure.
- Payments to the Australian Federal Police for policing services (\$219 million) were slightly higher than the budgeted amount (\$215 million).
- Capital injections (\$38 million) were significantly lower than the budgeted amount (\$65 million) by \$27 million (42 percent) due to undrawn funds mainly from changes in project timelines and delays in procurement.
- The Directorate's public private partnership commitments for the new ACT Courts and Tribunal facilities (\$520 million) was \$25 million lower than the prior year amount (\$545 million) mainly due to reduction in commitments for the services paid during the year.
- The Directorate resolved the previously reported audit finding relating to bank signatories. One new audit finding identified in 2023-24 relates to revenue recognised in the general ledger for professional legal services, which was inconsistent with the Directorate's policy during the interim stage of the audit. The Directorate agreed with this audit finding and ensured the accounting policy disclosed in the certified financial statements aligned with the associated accounting treatment.

Financial results

Table 4-30 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(553)	(549)	(498)
Income	67	51	65
Net cost of services	(486)	(498)	(433)
Government contributions	448	454	411
Operating deficit	(38)	(44)	(22)
Capital injections	38	65	22

- 4.175 Expenses mainly consist of employee costs and supplies and services expenses associated with the provision of justice services, corrective services, courts and tribunal, and emergency services.
- 4.176 Expenses (\$553 million) were materially consistent with the budgeted amount (\$549 million). This consistency is attributed to higher employee costs of \$16 million, resulting from additional staff employed to implement various Government initiatives and to meet increased demand for services, as well as higher other expenses of \$5 million mainly due to provisions for the assessment and remediation of contaminated sites related to per- and polyfluoroalkyl substances (PFAS) and the removal of underground fuel tanks. These increases were partially offset by lower supplies and services expenses of \$18 million, primarily due to delays in initiatives, relating to repair work following the 2020 hailstorm damage and other planned expenditure at the Alexander Maconochie Centre.
- 4.177 Income is mainly comprised of fees for services provided by the ACT Solicitor-General's Office and the Emergency Services Agency, and resources received free of charge from the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) for the provision of human resources, finance, information and communication technology services.
- 4.178 Income (\$67 million) was \$16 million (31 percent) higher than budgeted amount (\$51 million) mainly due to:
- higher than anticipated demand for professional legal services (\$8 million);
 - additional resource received free of charge from CMTEDD relating to information technology services and a grant received to construct new Mitchell Building in Gungahlin for Emergency Services Agency (\$4 million); and

- insurance payout for repair and remediation cost at the Emergency Services Agency Training Facility and additional ACT Government funding received to cover the cost of operating ACT Civil and Administrative Tribunal (\$4 million).

4.179 The net cost of the Directorate's services (\$486 million) was \$12 million (2 percent) lower than the budgeted net cost of services (\$498 million) mostly due to the higher than anticipated income, partially offset by the slightly higher expenditure, as discussed above.

4.180 Government contributions (\$448 million) were \$6 million lower than the budgeted amount (\$454 million) mainly due to the transfer of funding to future years primarily as a result of delays in implementation of associated budget initiatives.

4.181 Capital injections (\$38 million) were significantly lower than the budgeted amount (\$65 million) by \$27 million (42 percent) due to undrawn funds as a result of changes to project timelines and delays in procurement. These mainly include Emergency Services Agency's ACT Ambulance Service modernisation and vehicle replacement program (\$7 million) and stations upgrade project (\$7 million), ICT projects (\$7 million) and Alexander Maconochie Centre capital works projects (\$5 million).

Table 4-31 Key results – Territorial expenses

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Payments to the Australian Federal Police (AFP)	219	215	205
Other expenses	60	56	61
Total expenses	279	271	266

4.182 Territorial expenses mainly consist of payments to the Australian Federal Police to provide policing services in the ACT.

4.183 Payments to the Australian Federal Police (\$219 million) were only slightly higher than the budgeted amount (\$215 million). Additional funding was provided to ACT Policing services and to meet relocation expenses for the Gungahlin Joint Emergency Services Centre.

Table 4-32 ACT Courts and Tribunal Project

	Public Private Partnership Commitments	
	2023-24 \$m	2022-23 \$m
Within one year	24	22
Later than one year but not later than five years	110	110
Later than five years	386	413
Total Public Private Partnership Commitments – Note 1	520	545

Source: Note 20: 'Commitments' of the Directorate's 2023-24 financial statements.

Note 1: Total Public Private Partnership Commitments excludes finance lease commitments. All commitments are exclusive of GST.

4.184 At 30 June 2024, the Directorate had \$520 million in commitments relating to the public private partnership with a private sector consortium (Juris Partnership) in relation to the construction, operation and maintenance of new ACT Courts and Tribunal facilities.

4.185 The decrease from prior year was mainly due to a reduction in commitments for the services paid during the year.

Audit findings

Table 4-33 Status of audit finding

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

4.186 The Directorate resolved 1 previously reported audit finding by removing the bank signatories that were no longer employed by the Directorate. This reduces the risk of fraudulent payments being made from the Directorate's bank accounts.

4.187 The new audit finding was reported during the interim audit of the financial statements as the Directorate's significant accounting policy was inconsistent with the actual revenue recognition method for income generated from professional legal services to ACT Government entities. The Directorate agreed with this audit finding and ensured the accounting policy in the certified financial statements aligned with the associated accounting treatment.

Legal Aid Commission (ACT)

- 4.188 The Legal Aid Commission (ACT) (Commission) is an independent statutory authority established by the *Legal Aid Act 1977 (Act)*. The primary purpose of the Commission is to provide access to justice through a range of legal aid services in accordance with the Act for vulnerable and disadvantaged residents in the ACT.
- 4.189 The legal services provided by the Commission are wide-ranging and encompass the provision of legal information and referrals, legal advice, advocacy services, duty lawyer services, grants of legal assistance, dispute resolution services, community legal education programs and submissions on law reform issues. The Commission delivers these services by using a combination of its own staff and private legal practitioners engaged by the Commission.

Summary

- The Audit Office issued an unmodified auditor's report on the Commission's 2023-24 financial statements and unmodified limited assurance report on its 2023-24 statement of performance.
- The Commission's net cost of services (\$22 million) was \$3 million (16 percent) higher than the budgeted net cost of services (\$19 million).
- The Commission resolved 2 of the 5 previously reported audit findings. Audit findings resolved related to the timeliness of providing workpapers for the financial statements and accounting for revenue in accordance with relevant Australian Accounting Standards.
- Three previously reported audit findings were not resolved and related to key governance documents and testing of business continuity and ICT disaster recovery plans.
- Three new audit findings were identified in 2023-24 relating to documenting the satisfactory receipt of goods or services when making payment of invoices, performing a regular assessment of key controls relating to the outsourced payroll function, and the accuracy of the results for accountability indicators reported in the statement of performance.

Financial results

Table 4-34 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(27)	(22)	(23)
Income	5	3	5
Net cost of services	(22)	(19)	(18)
Government contributions	19	18	18
Operating (deficit)/surplus	(3)	(1)	-

4.190 Expenses are mainly comprised of employee costs and supplies and services expenses, including information technology costs and payments for legal services provided by private legal practitioners engaged by the Commission.

4.191 Expenses (\$27 million) were \$5 million (23 percent) higher than the budgeted amount (\$22 million) mainly due to:

- additional staff required to deliver more initiatives and programs, and salary increases under the enterprise agreement which were not factored into the budget; and
- higher than anticipated fees paid to private legal practitioners and costs to deliver initiatives and programs.

4.192 Income is primarily generated from delivering services to customers, receiving grants and contributions for legal aid programs and services, and generating interest income from cash and investments held.

4.193 Income (\$5 million) was \$2 million (67 percent) higher than the budgeted amount (\$3 million) mainly due to grants that were not anticipated in the budget. These grants were received from the ACT and Commonwealth Governments for extensions to existing legal aid programs including Tenancy Advice Services, Family Violence and Cross-examination of Parties Scheme, National Disability Insurance Scheme and Health and Justice Partnership.

4.194 The Commission's net cost of services (\$22 million) was \$3 million (16 percent) higher than the budget (\$19 million) mainly due to the previously discussed higher employee expenses from additional staff and salary increases under the enterprise agreement, and higher fees for private legal practitioners.

- 4.195 Government contributions (\$19 million) were slightly higher than budgeted (\$18 million) mainly due to additional funding received to address family law property mediation matters and protection visa backlogs.

Audit findings

Table 4-35 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
5	(2)	-	3	3	6

- 4.196 The Commission resolved 2 previously reported audit findings by:

- ensuring its accounting workpapers supporting the financial statements were ready for audit in accordance with the reporting timetable, reducing the risk of errors in the financial statements and avoiding delays and inefficiencies in the audit process; and
- improving its processes to ensure legal services revenue was correctly recorded and disclosed in the financial statements in accordance with the Australian Accounting Standards.

- 4.197 The Commission did not resolve 3 previously reported audit findings relating to the:

- update of the Chief Executive Financial Instructions as they have not been updated to reflect changes to key legislative requirements, standards and responsibilities. Guidance to staff is less likely to be effective when these Instructions are not current and up to date;
- update and testing of business continuity and disaster recovery plans. The Commission's Business Continuity Plan has not been updated or tested since August 2018 and the Commission's ICT Disaster Recovery Plan has not been updated since April 2013 and has not been tested since December 2012. The Commission is less likely to promptly resume operations, without loss of information, in the event of a major disruption where these plans are not updated and tested on a regular basis; and
- improvements required to the internal audit charter to document the process for selecting internal audit activities and the coordination of the internal audit function. In particular, the process for selecting internal audit activities was not defined in the internal audit charter and the Commission has not nominated a head of internal audit to assign responsibilities for the internal audit function. Addressing these weaknesses will provide assurance to the Commission that its internal audit function is more effective and meets the needs of its operations.

- 4.198 Three new audit findings identified in 2023-24 related to:

- documentary evidence for satisfactory receipt of goods and services before making payment of invoices. There is a higher risk of erroneous, irregular or fraudulent transactions when the payment of invoices can be made without documented evidence

that the goods or services have been satisfactorily received by an officer independent of the payment process;

- assessment of controls over the Commission's outsourced payroll function. Performing a regular assessment of key controls relating to the outsourced payroll function will provide assurance that all key controls have been applied by the Commission and its service provider and will reduce the risk of erroneous, irregular or fraudulent payroll transactions; and
- the accuracy of the results for accountability indicators reported in the Commission's statement of performance as the results for three out of five accountability indicators required corrections. This presents a risk that the Commission may not accurately measure its results against the forecasted performance for the year as required by *Financial Management Act 1996*.

4.199 The Commission has agreed with the previously reported audit findings and the new audit finding on the accuracy of the results for accountability indicators. However, the Commission has only partially agreed with audit findings on the assessment of controls over the payroll function and documentary evidence for satisfactory receipt of goods and services.

Major Projects Canberra

4.200 Major Projects Canberra is responsible for delivering major infrastructure projects for the community and consolidates project planning, contract management and procurement on behalf of ACT Government agencies.

4.201 The key outputs of Major Projects Canberra include:

- procuring and delivering infrastructure projects designated by the ACT Government as major projects or programs. These include the expansion of Canberra Hospital, Light Rail – City to Woden, Canberra Institute of Technology Woden Campus, Canberra Theatre Redevelopment, Northside Hospital Project, Cladding Rectification Program, and Electrification of Government Gas Assets;
- planning, procuring and delivering whole-of-government infrastructure programs and projects in partnership with other directorates; and
- providing property management and maintenance services to the ACT Government and community.

4.202 Under the Administrative Arrangements 2023 (No 1), ACT Property Group was transferred from the Chief Minister, Treasury and Economic Development Directorate to Major Projects Canberra from 12 December 2023.

Summary

- The Audit Office issued an unmodified auditor's report on Major Projects Canberra's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The ACT property Group was transferred from Chief Minister, Treasury and Economic Development Directorate to Major Projects Canberra on 12 December 2023 following the Administrative Arrangements 2023 (No 1).
- The net cost of Major Projects Canberra's services (\$91 million) was higher than the budgeted amount (\$48 million) mainly due to higher employee expenses, supplies and services and depreciation and amortisation, partially offset by higher than anticipated sales of services from contracts with customers.
- Government contributions (\$52 million) were higher than the budgeted amount (\$43 million) mainly due to the transfer of ACT Property Group to Major Projects Canberra.

Financial results

Table 4-36 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(167)	(53)	(37)
Income	76	5	6
Net cost of services	(91)	(48)	(31)
Government contributions	52	43	36
Operating (deficit)/surplus	(39)	(5)	5
Capital injections	446	502	392

4.203 Major Projects Canberra's expenses mainly consist of supplies and services expenses depreciation and amortisation and employee expenses.

4.204 Expenses (\$167 million) were higher than the budgeted amount (\$53 million) by \$114 million mainly due to the previously mentioned transfer of ACT Property Group. The increases in employee expenses (\$16 million), supplies and services costs (\$28 million) and depreciation expenses (\$41 million) mainly relate to the transfer of ACT Property Group.

4.205 Major Projects Canberra's income is mostly derived from providing capital works project management services to other ACT Government agencies. Income (\$76 million) was higher than the budgeted amount (\$5 million) mainly due to the previously mentioned transfer of ACT Property Group resulting in higher amounts of controlled recurrent payments (\$9 million) and revenue from management services (\$71 million).

4.206 The net cost of Major Projects Canberra's services (\$91 million) was higher than the budgeted amount (\$48 million) mainly due to higher than expected expenses partially offset by higher than anticipated revenue mentioned above.

4.207 Government contributions (\$52 million) were higher than the budgeted amount (\$43 million) mainly due to the previously mentioned transfer of ACT Property Group.

4.208 Capital injections (\$446 million) were \$56 million (11 percent) lower than the budgeted amount (\$502 million) primarily due to deferrals and delays of capital projects in asset and estate management within the ACT Property and Government Insourcing Group, including upgrades for more energy efficient government accommodation and the relocation of tenants from Callam Office.

Audit Findings

Table 4-37 Status of audit finding

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

4.209 One new audit finding was identified in 2023-24 in relation to the noncompliance with the whole of Government reporting timetable for the submission of the draft Statement of Performance for audit. The draft Statement of Performance and related workpapers were due on 19 August 2024 but were not provided for audit until 23 August 2024.

4.210 Major Projects Canberra has agreed to address the audit finding.

Public Sector Workers Compensation Fund

- 4.211 The Public Sector Workers Compensation Fund (PSWC Fund) is established and operates under the *Public Sector Workers Compensation Fund Act 2018*.
- 4.212 The PSWC Fund supports the Territory's workers' compensation self-insurance arrangements for public sector employees under the *Commonwealth's Safety Rehabilitation and Compensation Act 1988* and related prudential and financial governance framework.
- 4.213 The PSWC Fund commenced operations on 1 March 2019 when the Safety, Rehabilitation and Compensation Commission granted the licence to the Territory. The PSWC Fund has been designed to ensure the effective management of the Territory's assets to meet its workers' compensation liabilities under the self-insurance licence and features governance and management arrangements in relation to those assets and liabilities.
- 4.214 The compensation claims are managed through a third-party administrator agreement with Employers Mutual Limited (EML) performing the overall functions of a claims manager.

Summary

- The Audit Office issued an unmodified auditor's report on the PSWC Fund's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The PSWC Fund's operating surplus (\$58 million) exceeded the budgeted operating surplus (\$12 million) by \$46 million due to lower than expected underwriting expenses and higher than expected investment and interest income, and unrealised gains on investments.
- The PSWC Fund had sufficient assets (\$497 million) to meet its liabilities (\$253 million) at 30 June 2024.
- The PSWC Fund has initiated an independent external advice to assess whether the new standards for public sector insurance entities will have a material impact on the financial performance or position of the PSWC Fund in the future financial years.
- The PSWC Fund partially resolved 1 previously reported audit finding relating to the review and approval of journals.

Financial results

Table 4-38 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Underwriting revenue	74	74	65
Underwriting expenses	(46)	(74)	(35)
Underwriting gain	28	-	30
Investment and interest income	19	12	12
Total income	47	12	42
Supplies and services	(3)	(2)	(1)
Expenses	(3)	(2)	(1)
Unrealised gains on investments	14	2	15
Operating surplus	58	12	56

4.215 The PSWC Fund's income mostly consists of underwriting revenue from workers' compensation premium contributions collected from ACT Government agencies.

4.216 Underwriting expenses consist of workers' compensation claims paid during the year, changes in the actuarial estimate of gross outstanding claims during the year including workers' compensation claims incurred during the year and claims administration costs incurred.

4.217 Total underwriting expenses (\$46 million) were \$28 million (38 percent) lower than the budgeted amount (\$74 million). This was due to lower than expected actual claims experience during the year and a reduction in actuarial estimates of outstanding claims liabilities at 30 June 2024. The budgeted amount assumes a breakeven underwriting result with no deterioration or improvement in the expectations from prior year claims.

4.218 Investment and interest income (\$19 million) and unrealised gains on investments (\$14 million) were higher than the respective budgeted amounts of \$12 million and \$2 million. This was mainly due to better than expected market conditions of the investments held with the Territory Banking Account and higher than expected interest rates earned from cash at bank.

- 4.219 The PSWC Fund's operating surplus (\$58 million) exceeded the budgeted operating surplus (\$12 million) due to lower than anticipated underwriting expenses and higher than anticipated returns on cash and investments balances, as discussed above.

Financial position

Table 4-39 Net assets

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Total assets	497	449	455
Total liabilities	(253)	(285)	(269)
Net assets	244	164	186
Ratio of total assets to total liabilities	2.0 to 1	1.6 to 1	1.7 to 1

- 4.220 The PSWC Fund aims to hold sufficient cash and investment balances to meet estimated gross outstanding claims liabilities and other current liabilities when they fall due.
- 4.221 The PSWC Fund continued to have sufficient assets to cover its liabilities at 30 June 2024. Its net asset position at 30 June 2024 (\$244 million) was higher than the budgeted net asset position (\$164 million) by \$80 million (49 percent) due to lower than expected actuarially estimated gross outstanding claims held at year end and higher than expected cash and investments balances.

New accounting standards

- 4.222 The Australian Accounting Standards Board has released AASB 2022-8: 'Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments' (operative date of 1 January 2023) and AASB 2022-9: 'Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector' (operative date of 1 July 2026).
- 4.223 These amendments contain some specific considerations for not-for-profit public sector insurance entities and if they are applicable to the PSWC Fund, there may be a material impact to the financial statements. The PSWC Fund has therefore initiated an independent external advice to assess whether these standards will have a material impact on the financial performance or position of the PSWC Fund in future financial years.

Audit findings

Table 4-40 Status of audit finding

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

4.224 In 2022-23, the Audit Office reported that:

- the process for how the independent review of journals will be implemented and monitored was not documented in a key policy of the PSWC Fund; and
- a number of year-end journals were not reviewed by an independent officer.

4.225 In 2023-24, the PSWC Fund documented a process for implementing the independent review of journals and ensured that all journals selected for audit testing were independently reviewed and approved. However, the audit finding is only partially resolved, as the process for monitoring the independent review of journals is not documented in a policy.

4.226 The PSWC Fund has agreed to address this weakness in 2024-25.

Suburban Land Agency

- 4.227 The Suburban Land Agency develops and sells suburban, residential, community, commercial and industrial land in town centres and suburbs outside 'declared urban renewal precincts'.
- 4.228 Suburban Land Agency is a Public Non-Financial Corporation for reporting purposes and consistent with the ACT Government's policy on competitive neutrality (*Competitive Neutrality in the ACT, October 2010*) applies similar costing and pricing principles, taxation, debt guarantee requirements and regulations to a private sector entity.
- 4.229 The Suburban Land Agency reports the ACT Government's interest in the West Belconnen Joint Venture in its financial statements. The Joint Venture is a joint operation with Riverview Developments (ACT) Pty Ltd and undertakes land development at West Belconnen, across ACT and NSW borders. The assets, liabilities, income and expenses of the joint operation are proportionately consolidated in the financial statements of the Suburban Land Agency.
- 4.230 On 1 July 2024, the Joint Venture Agreement was amended to appoint the Suburban Land Agency as a participant in place of the Territory. The Suburban Land Agency consolidates the operating results of the joint venture into its financial statements.

Summary

- The Audit Office issued an unmodified auditor's report on the Suburban Land Agency's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- Revenue from contracts with customers (\$278 million) was \$12 million (4 percent) lower than the budgeted amount (\$290 million) primarily due to some land settlements for single residential blocks being deferred into subsequent financial years due to difficult borrowing conditions in the market and higher than anticipated home building costs deterring potential land sales.
- Write-down of inventory (\$12 million) relates to the value of land received free of charge from other ACT Government agencies.
- Operating profit (\$75 million) was consistent with the budget.
- Capital injections of \$50 million was not budgeted and was received by the Suburban Land Agency to fund additional working capital to support land development activities.

Financial results

Table 4-41 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Revenue from contracts with customers	278	290	191
Cost of land sold	(132)	(137)	(75)
Gross profit on land sales	146	152	116
Other income	20	8	13
Write-down of inventory	(12)	-	(6)
Employee, supplies and services, and other expenses	(46)	(53)	(47)
Operating profit before income tax equivalents expense	108	107	76
Income tax equivalents expense	(33)	(32)	(23)
Operating profit	75	75	53
Capital Injections	50	-	-

- 4.231 Revenue from contracts with customers comprise mainly income from residential, mixed-use and commercial land sales as well as housing sales from West Belconnen Joint Venture. Land for new public school sites sold to the Education Directorate are also included in revenue from contracts with customers.
- 4.232 Revenue from contracts with customers (\$278 million) was \$12 million (4 percent) lower than the budgeted amount (\$290 million) primarily due to the timing of settlements with some settlements for single residential blocks being deferred into subsequent financial years due to difficult borrowing conditions in the market and higher than anticipated home building costs deterring potential land sales.
- 4.233 Cost of land sold (\$132 million) was \$5 million (4 percent) lower than the budgeted amount (\$137 million) mainly due to lower land sales as discussed above.
- 4.234 Other income (\$20 million) was \$12 million (150 percent) higher than the budgeted amount (\$8 million) predominantly due to higher value land transfers from other ACT Government agencies received free of charge.

- 4.235 The \$12 million increase in write-down of inventory was primarily due to the transfer of land from other ACT Government agencies free of charge as discussed above, resulting in a write-down of inventory. The Suburban Land Agency recognises the value of land received at lower of cost and expected selling price. As it received the land at zero value, the book value of the land is written down to zero subsequent to the transfer.
- 4.236 Employee, supplies and services, and other expenses (\$46 million) were \$7 million (13 percent) below the budgeted amount (\$53 million) due to lower than budgeted project related expenses including lower selling, land management and consultant expenses commensurate with lower than expected revenue from land and housing sales.
- 4.237 Income tax equivalents expense (\$33 million) was consistent with the budgeted amount (32 million).
- 4.238 Operating profit (\$75 million) was consistent with the budget.
- 4.239 Capital injections of \$50 million was not budgeted and was received by the Suburban Land Agency to fund additional working capital to support land development activities.

Superannuation Provision Account

- 4.240 The Superannuation Provision Account administers funds set aside to pay for the defined benefit employer superannuation liabilities of the Territory.
- 4.241 The defined benefit employer superannuation liabilities relate to:
- current and former ACT Government employees who are members of Commonwealth Government defined benefit superannuation schemes, specifically the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS); and
 - members of the ACT Legislative Assembly entitled to the defined benefit superannuation scheme under the *Legislative Assembly (Members' Superannuation) Act 1991*.
- 4.242 The Commonwealth Superannuation Corporation (CSC) administers the CSS and PSS. Since 1 July 1989, the Territory reimburses CSC for the Territory's share of the employer financed component of the superannuation benefits paid to eligible ACT Government employee members. Superannuation liabilities incurred before that date are the responsibility of the Commonwealth Government.
- 4.243 The CSS and PSS were closed to new members from 1 July 1990 and 1 July 2005 respectively. From 1 July 2005, the Public Sector Superannuation Accumulation Plan (PSSap) was available to employees until it closed to new members from 7 October 2006, after which new employees were offered their choice of superannuation accumulation schemes.

Summary

- The Audit Office issued an unmodified auditor's report on the Superannuation Provision Account's 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- The operating deficit of \$29 million was \$204 million (87 percent) lower than the budgeted deficit of \$233 million mainly due to the higher than expected net gain on the fair value of investments, driven by stronger than anticipated performance of investment markets.
- The unfunded superannuation liability at 30 June 2024 (\$4 376 million) exceeded the budgeted amount (\$3 798 million) by \$578 million as a result of the use of a lower discount rate when determining the present value of the liability, along with higher than anticipated pension indexation. Annual cash payments required to meet the superannuation obligations are projected to increase significantly in the coming years, reaching a peak of \$791 million in 2045 before declining until fully settled.
- The Superannuation Provision Account will continue to depend on annual capital injections funding from the ACT Government to cover the annual cash payments for the Territory's superannuation obligations until the liability is fully funded by investment assets.

Financial Results

Table 4-42 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Income	202	190	172
Net gain on the fair value of investments	430	219	392
Expenses	(661)	(642)	(653)
Operating deficit	(29)	(233)	(89)
Capital injections	382	382	348

- 4.244 The Superannuation Provision Account invests available funds via the Territory Banking Account investment platform with exposure to both Australian and global markets to achieve its target investment return and meet the objective of fully funding the defined benefit employer superannuation liabilities. These investments are exposed to market risk and fluctuate based on global economic and financial conditions.
- 4.245 Income is mainly distributions from investments held with the Territory Banking Account. Distributions from investments (\$197 million) was \$15 million (8 percent) higher than budgeted (\$182 million), as net distributions received on investments exceeded estimates due to stronger performance of investment markets.
- 4.246 Net gain on the fair value of investments (\$430 million) was substantially higher than budgeted (\$219 million) by \$211 million (96 percent). This significant difference was primarily driven by stronger than expected performance of investment assets in the market.
- 4.247 Expenses are mainly comprised of superannuation costs, associated with the growth in the actuarially estimated superannuation liability. The superannuation expense was largely consistent with the budget.
- 4.248 The operating deficit of \$29 million was \$204 million (87 percent) lower than the budgeted deficit of \$233 million, mainly attributable to a greater than expected net gain on the fair value of investments.
- 4.249 Capital injections funding from the ACT Government provides the necessary cash for the Superannuation Provision Account to make the annual superannuation payments and these will be provided from the annual budget by the ACT Government until the superannuation liability is completely covered by investment assets. Capital injections of \$382 million were consistent with the budgeted amount.

Actual unfunded superannuation liability

Table 4-43 Actual financial position

At 30 June	Actual 2020-21 \$m	Actual 2021-22 \$m	Actual 2022-23 \$m	Actual 2023-24 \$m	Budget 2023-24 \$m
Financial assets – Note 1	5 132	4 941	5 509	6 123	5 887
Superannuation liability	(13 231)	(10 872)	(10 565)	(10 499)	(9 685)
Unfunded superannuation liability	(8 099)	(5 931)	(5 056)	(4 376)	(3 798)
Ratio of investments to superannuation liability	0.4 to 1	0.5 to 1	0.5 to 1	0.6 to 1	0.6 to 1

Source: Actual figures were obtained from Superannuation Provision Account's audited 2023-24 financial statements. Budget figures were obtained from 2023-24 Budget Papers.

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

- 4.250 The financial assets of the Superannuation Provision Account, which include cash, receivables from investment distributions, and fair value of investments, are not sufficient to cover the superannuation liability, resulting in a significant portion of the liability being unfunded. However, the ratio of investments to superannuation liability is improving overtime.
- 4.251 The superannuation liability is calculated at its present value using the Commonwealth Government bond interest (discount) rate at the end of each financial year. Due to the long-term settlement period of the liability, this valuation is highly sensitive to changes in the discount rate. A lower discount rate increases the estimated superannuation liability, while a higher discount rate decreases the estimated superannuation liability.
- 4.252 The Superannuation Provision Account applies a long-term average discount rate in the budget and forward year estimates to minimize significant valuation fluctuations caused by annual changes in the Commonwealth Government bond interest rate.
- 4.253 The unfunded superannuation liability at 30 June 2024 (\$4 376 million) exceeded the budgeted amount (\$3 798 million) by \$578 million. This variance is primarily attributed to the application of a lower discount rate in calculating the present value of the liability, as well as higher than expected pension indexation.
- 4.254 The unfunded superannuation liability at 30 June 2024 (\$4 376 million) reduced from the unfunded position at 30 June 2023 (\$5 056 million) by \$680 million (13 percent). This reduction is primarily due to an increase in the fair value of investments and a decrease in the superannuation liability, largely driven by a higher discount rate (4.72 percent) compared to the previous year (4.40 percent). As required by

AASB 119: 'Employee Benefits', the liability valuation as at 30 June must be estimated on a market based financial assumption for the discount rate (in this case, the Commonwealth 2047 maturity bond).

- 4.255 The unfunded superannuation liability position has fluctuated significantly in recent years, primarily due to fluctuations in the discount rate.

Projected unfunded superannuation liability

Table 4-44 Estimated forward years financial position

At 30 June	Actual 2023-24 \$m	Estimate 2024-25 \$m	Estimate 2025-26 \$m	Estimate 2026-27 \$m
Financial assets – Note 1	6 123	6 321	6 788	7 290
Superannuation liability	(10 499)	(9 922)	(10 138)	(10 331)
Unfunded superannuation liability	(4 376)	(3 601)	(3 350)	(3 041)
Ratio of investments to superannuation liability	0.6 to 1	0.6 to 1	0.7 to 1	0.7 to 1

Source: Actual figures were obtained from Superannuation Provision Account's audited 2023-24 financial statements. Forward estimate figures were obtained from the 2023-24 Budget Papers.

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

- 4.256 The ACT Government's strategy to extinguish the unfunded superannuation liability over time requires the accumulated funds to be invested and investment earnings to be re-invested for the investment portfolio to grow as expected, thereby reducing the long-term cost of the liability.

- 4.257 The unfunded superannuation is projected to decline significantly, from \$4 376 million as of 30 June 2024 to an estimated \$3 041 million by 30 June 2027, according to forward estimates. This decrease is attributed to:

- a projected increase in financial assets of \$1 167 million (19 percent) over the forward years, rising from \$6 123 million to \$7 290 million by 30 June 2027, driven by the reinvestment plan aimed at growing the investment portfolio; and
- a reduction in the superannuation liability by \$168 million (2 percent), decreasing from \$10 499 million to \$10 331 million by 30 June 2027, primarily due to superannuation payments.

- 4.258 For the projected substantial reduction in the unfunded superannuation liability to materialise over the coming years, there would need to be:

- favourable market conditions that support the anticipated growth of the investment portfolio; and

- an increase in the discount rate used to calculate the superannuation liability, unless there are changes to other assumptions used to estimate the liability.

Table 4-45 Future superannuation cash payments schedule

Year ended 30 June	Nominal terms \$m
2024	382
2029	520
2034	644
2039	744
2045 (peak)	791
2050	751
2055	657
2060	532

Source: Information above was obtained from the 'Report on Actuarial Investigation as at 30 June 2023' prepared by the Territory's consulting actuary, Willis Towers Watson. The actuarially assessed amounts are represented in nominal terms (i.e. not adjusted for inflation).

- 4.259 Annual cash payments required to fulfill superannuation obligations are expected to rise substantially in the coming years, reaching a peak of \$791 million by 2045. Thereafter, these payments will gradually decline until all liabilities are settled. This trend reflects the anticipated retirement of employees enrolled in the CSS and PSS over the next 20 years. These members will receive retirement benefits in the form of indexed pensions, which will continue for the duration of their lives and the lives of their surviving spouses.
- 4.260 The Superannuation Provision Account will continue to depend on annual capital injections appropriation funding to cover the anticipated substantial rise in annual cash payments for the Territory's superannuation obligations until investment assets fully fund the liability. The timeline for fully funding the superannuation liability depends on achieving projected investment returns and ensuring that future cash payments do not significantly exceed the estimated amounts.

Transport Canberra and City Services Directorate

- 4.261 Transport Canberra and City Services Directorate (Directorate) is responsible for Canberra's municipal services and public transport planning functions. The Directorate undertakes planning, building and maintenance of majority of the Territory's infrastructure assets. It also operates capital linen services, ACT NoWaste, domestic animal services and Yarralumla Nursery.
- 4.262 Transport Canberra Operations (TCO), Canberra's public transport provider, is also part of the Directorate. However, as it is a separate reporting entity a section on TCO is included later in this chapter.
- 4.263 The Directorate has administrative oversight responsibility for the Cemeteries and Crematoria Authority which operates the Woden, Gungahlin, and Hall cemeteries.

Summary

- The Audit Office issued an unmodified auditor's report on the Directorate's 2023-24 financial statements and an unmodified limited assurance report on the Directorate's 2023-24 Statement of performance.
- The Directorate's net cost of services (\$797 million) was \$54 million (7 percent) higher than the budgeted cost (\$743 million) mainly due to unbudgeted expensing of capital works in progress costs (\$31 million) that did not meet the requirements for capitalisation and higher than expected grants and purchased services (\$12 million) relating to additional supplementation provided to TCO.
- Capital injections (\$228 million) were \$74 million (25 percent) lower than the budgeted amount (\$302 million) mainly due to the delays and deferral in capital infrastructure projects such as Monaro Highway Upgrade, National Commonwealth Grants and Strategic Road Maintenance and Renewal.

Financial results

Table 4-46 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(857)	(793)	(777)
Income	60	50	51
Net cost of services	(797)	(743)	(726)
Government contributions	538	517	491
Contributed assets from other ACT Government entities and private developers	96	111	40
Operating deficit	(163)	(115)	(195)
Capital injections	228	302	148

4.264 The Directorate's expenses mainly consist of employee costs, depreciation costs, contributions to TCO, contractors and consultancy costs, operating costs, repairs and maintenance and ICT services.

4.265 Total expenses of \$857 million were \$64 million (8 percent) higher than the budgeted amount of \$793 million mainly due to:

- the expensing of capital works in progress costs (\$31 million) that did not meet the requirements for capitalisation;
- higher than budgeted grants and purchased services (\$12 million) mainly due to additional funds provided to TCO to meet operational needs including supplementation for the reduced public transport fare revenue and increased financing costs associated with Light Rail Stage 1;
- higher than budgeted employee expenses (\$9 million) due to higher salary rates under the new enterprise agreements and an increase in the average full time equivalent staff to deliver the Directorate's operations; and
- higher than budgeted supplies and services (\$6 million) from higher contractors and consultancy costs associated with transporting and processing of recycling materials following the fire at the Materials Recovery Facility in Hume in December 2022.

4.266 The Directorate's income is mostly derived from providing linen and library services, hiring of sports grounds and community facilities, collecting fees for the disposal of contaminated waste at the Territory's landfill sites and the sale of plants from Yarralumla Nursery.

- 4.267 Income (\$60 million) was marginally higher than the budgeted amount (\$50 million).
- 4.268 The Directorate's net cost of services (\$797 million) was \$54 million (7 percent) higher than budgeted (\$743 million) mainly due to higher than anticipated expenses as previously discussed.
- 4.269 Government contributions (\$538 million) were \$21 million (4 percent) higher than budgeted (\$517 million) mainly due to:
- funding received for additional costs associated with transporting and processing of recycling materials following the fire at the Materials Recovery Facility in Hume in December 2022;
 - higher employee costs resulting from salary rate increases in the new enterprise agreements and an increase in the average full-time equivalent staff required to support the Directorate's operations; and
 - increased cost from investments in the Directorate's information technology systems.
- 4.270 Contributed assets from other ACT Government entities and private developers (\$96 million) were \$15 million (14 percent) lower than budgeted (\$111 million) primarily due to the lower than expected value of assets contributed from the Suburban Land Agency and private developers.
- 4.271 Capital injections (\$228 million) were \$74 million (25 percent) lower than the budgeted amount (\$302 million) primarily due to deferral and delays in capital infrastructure projects such as Monaro Highway Upgrade, National Commonwealth Grants and Strategic Road Maintenance and Renewal.

Transport Canberra Operations

- 4.272 Transport Canberra Operations is a business unit within the Transport Canberra and City Services Directorate (Directorate) and its primary business is to deliver public transport services to the ACT community. Details about the Directorate are provided earlier in this chapter.
- 4.273 Transport Canberra Operations is a separate reporting entity for financial reporting purposes. It is a Public Non-Financial Corporation for the purposes of whole-of-government reporting and is subject to the National Tax Equivalents Regime.
- 4.274 Transport Canberra Operations receives subsidy from the Directorate in form of contributions and capital payments as it does not generate sufficient revenue from its public transport services to meet its operational expenses.
- 4.275 Public transport services delivered by Transport Canberra Operations include scheduled light rail services, route bus services, school bus services, flexible bus services, special needs transport and management of the ACT rural school bus contract.

Summary

- The Audit Office issued an unmodified auditor's report on Transport Canberra Operations' 2023-24 financial statements and an unmodified limited assurance report on its 2023-24 statement of performance.
- Transport Canberra Operations' net cost of services (\$282 million) was slightly higher than the budgeted cost (\$271 million). This was largely due to lower than budgeted public transport fare, as public transport patronage recovered more gradually following the COVID-19 pandemic than anticipated, along with higher depreciation expenses driven by a greater than expected increase in asset value after last year's revaluation.
- Transport Canberra Operations' operating deficit before income tax equivalents of \$36 million was slightly higher than the budgeted amount (\$34 million).
- Capital payments received from the Directorate (\$36 million) were \$19 million (35 percent) lower than the budgeted amount (\$55 million) largely due the deferral and delays in capital projects such as Woden Bus Depot Augmentation and Better Transport Infrastructure projects.
- Transport Canberra Operations' public private partnership operational expenditure commitments for Canberra's light rail (\$669 million) was \$21 million (3 percent) higher than the prior year amount (\$648 million).

Financial results

Table 4-47 Key results

	Actual 2023-24 \$m	Budget 2023-24 \$m	Actual 2022-23 \$m
Expenses	(310)	(302)	(278)
Revenue – Note 1	28	31	25
Net cost of services	(282)	(271)	(253)
Government contributions – Note 1	246	237	213
Operating deficit before income tax equivalents	(36)	(34)	(40)
Income tax equivalents income	11	-	12
Operating deficit	(25)	(34)	(28)
Capital funding received from Transport Canberra and City Services Directorate	36	55	16

Note1 Transport Canberra Operations has advised that a misclassification occurred in the 2023-24 budget papers. Revenue should have been recorded at \$31 million while Government Contributions should have been \$237 million. Therefore, the budget numbers in this table have been adjusted accordingly and will not agree with the original budget reported in the audited 2023-24 financial statements.

- 4.276 Expenses for Transport Canberra Operations primarily comprises of employee expenses, depreciation, borrowing costs and supplies and services expenses. These include payments to the Canberra Metro Consortium (Canberra Metro) for light rail services, as well as bus operating costs such as fuel, maintenance, and insurance, along with costs associated with supporting the transition to a zero-emissions bus fleet.
- 4.277 Expenses of \$310 million were slightly higher by \$8 million (3 percent) than the budgeted amount of \$302 million, mainly attributed to higher depreciation expenses, driven by a greater than expected increase in asset value following last year's revaluation.
- 4.278 Transport Canberra Operations' revenue is primarily generated through passenger fares from the use of light rail and bus network.
- 4.279 Total revenue of \$28 million was \$3 million (10 percent) lower than the budgeted amount of \$31 million. This was mainly due to lower than budgeted public transport fare revenue, as public transport patronage recovered more gradually following the COVID-19 pandemic than anticipated in the budget.

- 4.280 Net cost of services (\$282 million) was \$11 million (5 percent) higher than the budgeted cost (\$271 million). This primarily resulted from higher than anticipated expenses and lower public transport fare revenue, as previously discussed.
- 4.281 Government contributions (\$246 million) were \$9 million (4 percent) higher than the budgeted amount (\$237 million), largely due to the additional funding from the Directorate to offset the reduction in public transport fare revenue and to cover the increased financing costs associated with Light Rail Stage 1.
- 4.282 Transport Canberra Operations' operating deficit before income tax equivalents of \$36 million was slightly higher than the budgeted amount of \$34 million.
- 4.283 Capital payments received from the Directorate (\$36 million) were \$19 million (35 percent) lower than the budgeted amount (\$55 million) largely due to the deferral and delays in capital projects such as Woden Bus Depot Augmentation and Better Transport Infrastructure projects.

Table 4-48 Light Rail Project - Public Private Partnership Commitments

	Operational Commitments (excluding GST)	
	2023-24 \$m	2022-23 \$m
Within one year	35	34
Later than one year but not later than five years	161	144
Later than five years	473	470
Total Public Private Partnership Commitments	669	648

Source: Note 20: 'Capital and other commitments' of Transport Canberra Operations' 2023-24 audited financial statements.

- 4.284 At 30 June 2024, Transport Canberra Operations had \$669 million in commitments for the public private partnership with Canberra Metro to operate and maintain Canberra's light rail compared to \$648 million in commitments at 30 June 2023. The 20-year contracted term will end in August 2038 after which the ACT Government will assume ownership of the light rail network assets.
- 4.285 The commitments for the operation of Canberra's light rail (\$669 million) were \$21 million (3 percent) higher than prior year (\$648 million) mainly due to an increase in the operational expenditure that Transport Canberra Operations is required to contribute to the Canberra Metro as part of the Service Concession Arrangement.

University of Canberra

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

4.287 The University Council (Council) is established under section 9 of the *University of Canberra Act 1989* (Act) as the governing authority of the University. Under the Act, the Council is responsible for the control and management of the entire University.

4.288 In 2023, the University controlled:

- UCX Ltd which provides goods and services to the staff, students and visitors to the campus;
- UC Global Pty Limited which provides business services, including contract management, market analysis and other specialist commercial management services to the education industry;
- WJ Weeden Post-Graduate Scholarship Trust Fund which provides scholarships to students enrolled at the University for post-graduate studies; and
- University of Canberra Royal Institute of Public Administration Research Fund which provides funds to conduct research projects and the production of publications relating to public administration studies.

4.289 The Audit Office audited the 2023 financial statements of:

- the University under the *Financial Management Act 1996* (as amended by the *University of Canberra Act 1989*), and the *Australian Charities and Not-for-profits Commission Act 2012*; and
- UCX Ltd under the *Australian Charities and Not-for-profits Commission Act 2012*.

Summary

- The Audit Office issued an unmodified auditor's report on the 2023 financial statements of the University.
- The University's 2023 operating result was a deficit of \$12 million, \$19 million lower than prior year surplus of \$7 million due to the increase in operational expenditure outweighing the increase in revenue due to increase in employment expenses, the impairment of franking credit receivable, increases in academic partner payments and consultants' fees.
- The University had net short-term liabilities of \$62 million at 31 December 2023. It disclosed in its financial statements that it can meet these short-term liabilities using undrawn borrowing facilities with banks and funding provided by the Commonwealth Government. The University will need to continue to carefully manage its cash flows to meet its short-term liabilities.

- Eight of the 11 previously reported audit findings were resolved during the audit. Three relating to financial reporting (revenue recognition, fixed asset register reconciliations and improving financial reporting processes to resolve long standing credit balances in student and sponsor fee accounts) and 5 relating to computer information systems (application access management, local administrator rights, logging and monitoring of database privileged users' activities, system specific security documentation and application level logging and monitoring).
- Three of 11 previously reported audit findings were partially resolved. Two of these audit findings were in relation to weaknesses over computer information systems (management of privileged users and IT general controls) and 1 in relation to the review of financial management policies and procedures.

Financial results

Table 4-49 Key results (calendar years)

University of Canberra Group – Note 1	Actual 2023 \$m	Actual 2022 \$m
Income	386	324
Expenses	(398)	(317)
Operating (deficit)/surplus	(12)	7

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

- 4.290 Income mainly consists of Commonwealth Government financial assistance for student places, higher education loan programs, research activities, domestic and international student fees, and revenue from providing student accommodation. Income also included a one off gain from the disposal of campus land for real estate development.
- 4.291 Income (\$386 million) was \$62 million (19 percent) higher than prior year income (\$324 million) mainly due to a gain made on the sale of campus land and higher course fees and charges from an increase in the student numbers.
- 4.292 Expenses consists mainly of employee costs, administrative expenses, and depreciation and amortisation. Expenses (\$398 million) were \$81 million (26 percent) higher than prior year (\$317 million) mainly due to an increase in employment expenses, the impairment of the Australian Taxation Office (ATO) franking credit receivables, increases in academic partner payments and consultants' fees.
- 4.293 The University's 2023 operating result was a deficit of \$12 million, \$19 million lower than the prior year operating surplus \$7 million primarily due to the increase in expenses outweighing the increase in revenue as discussed above.

Financial position

Table 4-50 Net short-term liabilities (calendar years)

University of Canberra Group – Note 1	Actual 2023 \$m	Actual 2022 \$m
At 31 December		
Short-term assets - Note 2	61	97
Short-term liabilities - Note 3	123	113
Net short-term liabilities	(62)	(16)
Ratio of short-term assets to short-term liabilities	0.5 to 1	0.9 to 1

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

Note 2: Short-term assets (\$61 million) consist of current assets (\$61 million) as presented in the Statement of Financial Position minus restricted cash (\$0.1 million) held in the University of Canberra Royal Institute of Public Administration Research Fund and WJ Weeden Post Graduate Scholarship Trust Fund. Current restricted cash were subtracted from current assets as these funds cannot be used to pay liabilities.

Note 3: Short-term liabilities (\$123 million) are less than current liabilities (\$135 million) presented in the Statement of Financial Position. Short-term liabilities only include liabilities expected to be paid within 12 months as this provides a better indication of the short-term asset coverage.

4.294 At 31 December 2023, the University's consolidated short-term liabilities (\$123 million) exceeded its short-term assets (\$61 million) by \$62 million. The amount by which short-term liabilities exceeded short-term assets increased from \$16 million at 31 December 2022 to \$62 million at 31 December 2023. This was mainly due to the recording of an impairment for ATO franking credit receivable, disposal of assets previously held for sale and increases in trade and other payables.

4.295 The University's financial statements disclose that it can meet its short-term liabilities using undrawn borrowing facilities with banks and funding provided by the Commonwealth Government. However, the net short-term liability position means that the University needs to continue to carefully manage its cash flows to ensure that it can meet its short-term liabilities.

Audit findings

Table 4-51 Status of audit findings

Previously Reported	Resolved	Partially Resolved	Not Resolved	New	Balance
11	(8)	3	-	-	3

4.296 Eight of the 11 previously reported audit findings were resolved and 3 are partially resolved. There were no new audit findings identified during the audit of the 2023 financial statements.

4.297 Eight previously reported audit findings were resolved. In prior years, the Audit Office recommended the University:

- document assessments for research and consultancy contract revenues against the relevant Australian Accounting Standards and retain evidence of timely review of those assessments. The University resolved this audit finding by documenting and performing the review of the assessments in a timely manner;
- improve its processes and quality assurance practices relating to the preparation and review of the fixed asset register and implement year end procedure for a working paper that clearly supports the asset revaluation movements that reconciles with the fixed asset register, Statement of Changes in Equity and Statement of Comprehensive Income. The University resolved this audit finding by improving its processes and quality assurance practices relating to the preparation and review of the fixed asset register and related supporting workpapers;
- implement procedures to regularly review long standing student and sponsor credit balances within student administration system and take timely action to resolve any long-standing credit balances. The University resolved this audit finding by performing a detailed review of these long-standing balances and implementing procedures for regular review on student and sponsor credit balances;
- develop and implement processes for granting and reviewing application access for users to University's financial management, payroll and student administration systems. The University has resolved this audit finding by documenting a segregation of duties matrix for users of key systems, implementing policies for record keeping with respect to user access request and approvals; and using a logged workflow for all types of application access and approvals;
- develop and implement protocols for granting other users access to local administrator rights by documenting and approving processes and procedures to support the allocation of local administrator rights to, and non-standard software installation for, end users. The University resolved this audit finding by implementing 'admin by request' software to support the process for allocating and controlling local administrator rights;
- log and monitor privileged user (administrator) activities for key application databases. The University resolved this audit finding by conducting risk assessments for its key financial systems and sensitive data fields, ensuring that reviews on the logging and monitoring of administrator activities were performed and documented on a regular basis;
- appropriately document and approval for each key financial information system, a System Security Plan, a Continuous Monitoring Plan, a Security Assessment Report or a Plan of Action and Milestones recommended as better practice in the Information Security Manual³. The University resolved this audit finding by documenting and

³ <https://www.cyber.gov.au/acsc/view-all-content/ism>

approving system specific security documentation for its key financial information technology applications that meet all Information Security Manual requirements; and

- implement ongoing logging, monitoring of all users (including privileged) and to keep documented record of reviews performed at the application level. The University resolved this audit finding by ensuring that logging and monitoring of user activities for all key financial information systems was performed and documented on a regular basis which reduces the risk that unauthorised (including fraudulent) changes to the financial information system and its data will not be detected and promptly addressed.

4.298 Three previously reported audit findings remain partially resolved. In prior years, the University:

- had not documented its procedures for managing privileged user access, placed appropriate restrictions on privileged users (administrator) accounts⁴ and regularly monitored the activities of these users. In 2023, the University had implemented most of the recommendations such as documenting procedures and introducing controls to monitor privileged user activities, however internet access for privileged users remain under their profiles. There is a risk to the security of University's networks should a privileged user account be compromised. The University has agreed with the audit finding and is currently testing for appropriate solutions;
- general information technology controls were assessed against those recommended in the Essential Eight mitigation strategies set out by the Australian Cyber Security Centre (ACSC). The University had agreed and made changes to their processes to improve its 'Essential Eight' maturity levels. In 2023, the University has implemented all recommendations and is working towards completing application whitelisting (permitting only specified applications to operate on systems) and the previously identified deficiency of management of privileged users. This presents a higher risk that the University's information technology network environment and applications could be compromised; and
- had not kept the financial management policies and procedures up to date. This increases the risk that such policies and procedures will not be adequately or consistently applied, which in turn increases the risk of irregularities and fraud. The University has agreed to this audit finding and has reviewed and published a policy which is intended to act as a better practice guide to assist owners of policy documents to review and update the policies and procedures. The University has also published its Treasury policy while the Investment, Procurement and Financial Management policies are under review.

⁴ Privileged user (administrator) access provides these users with considerable access within an entity's network and applications, and the ability to perform higher risk activities in applications without approval.

Appendix A: Key terms

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

Financial statements

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

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

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

An auditor's report is issued on a reporting agency's financial statements after the completion of an audit 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 a fair representation of a reporting agency's financial performance and position in accordance with the relevant reporting and disclosure requirements.

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

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

Statements 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 statements of performance

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

A limited assurance report with a modified conclusion will be issued where the reporting agency has not complied with the requirements of the *Financial Management Act 1996* to establish accountability indicators and targets, or measure a result, for one or more of its accountability indicators.

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

Materiality

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

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

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

Rounding

The totals for the financial information included in the tables of this report may not add as the figures are rounded to the nearest million dollars.

Misstatements

Misstatements are the amount by which the correct amount varies from the reported amounts. Misstatement may be caused by errors or fraud (deliberate misreporting).

Net assets

Net assets are the amount by which total assets exceed total liabilities.

Net operating balance

Net operating balance is the difference between revenue and expenses. The net operating balance is 'in surplus' where revenue exceeds expenses and is 'in deficit' where expenses exceed revenue.

Operating results

The operating surplus/(deficit) is the sum of the net operating balance and other economic flows. Other economic flows mainly comprise gains/(losses) on investments and land revenue. These gains/(losses) mostly reflect changes in market conditions that affect the value of investments and land.

Net cost of services

The net cost of services shows how much of an agency's operations can be funded from the revenue it generates and the extent of reliance on government funding to subsidise its operations. The net cost of services is the difference between total expenses and the revenue or own services income generated by an agency.

The items excluded to calculate the net cost of services by some agencies in their management discussion and analysis accompanying the financial statements may not be identical with the items excluded by the Audit Office in this ACT Auditor-General's report.

Government contributions and income or expenses not directly relating to the agency's operations such as those from transferring assets to other ACT Government agencies are typically excluded when calculating the net cost of services.

Present value

Present value is the estimate of the current value of the future net cash flows using a discount rate prevalent in the market. The reported amount will be higher when a lower discount rate is applied and vice-versa assuming other factors being equal.

Discount rate

Discount rate is the interest rate used to calculate the present value.

Appendix B: Agencies included in the Territory's financial statements

The following agencies are included in the Territory's financial statements⁵.

ACT Audit Office

ACT Electoral Commission

ACT Executive

ACT Gambling and Racing Commission

ACT Health Directorate

ACT Insurance Authority

ACT Integrity Commission

ACT Local Hospital Network

Cemeteries and Crematoria Authority

Canberra Health Services

Canberra Institute of Technology

Chief Minister, Treasury and Economic Development Directorate

Community Services Directorate

Cultural Facilities Corporation

Education Directorate

Environment, Planning and Sustainable Development Directorate

Independent Competition and Regulatory Commission

Justice and Community Safety Directorate

Legal Aid Commission (ACT)

Lifetime Care and Support Fund

Major Projects Canberra

Motor Accident Injuries Commission

⁵ Note 3 on page 17 of the 2023-24 Australian Capital Territory Government Consolidated Annual Financial Statements.

Office of the Legislative Assembly

Office of the Work Health and Safety Commissioner

Public Sector Workers Compensation Fund

Public Trustee and Guardian

Superannuation Provision Account

Territory Banking Account

Transport Canberra and City Services Directorate

CIT Solutions Pty Limited

City Renewal Authority

Housing ACT

Icon Water Limited

Suburban Land Agency

Transport Canberra Operations

Audit Reports

Reports Published in 2024-25	
Report No. 11 - 2024	Governing boards of selected ACT Government entities
Report No. 10 - 2024	Safer Families Levy
Report No. 09 - 2024	2023-24 Financial Audits - Overview
Report No. 08 - 2024	Annual Report 2023-24
Report No. 07 - 2024	Reusable Facility Services Procurement
Report No. 06 - 2024	Business Transformation Program: ICT renewal activities
Reports Published in 2023-24	
Report No. 05 - 2024	Management and oversight of ACT Policing services
Report No. 04 - 2024	Planning and delivery of services for young people with moderate to severe mental health illness
Report No. 03 - 2024	Management of the Growing and Renewing Public Housing Program
Report No. 02 - 2024	Management of key contracts under A Step Up For Our Kids
Report No. 01 - 2024	Urban Tree Management
Report No. 11 - 2023	2022-23 Financial Audits – Financial Results and Audit Findings
Report No. 10 - 2023	Human Resources Information Management System (HRIMS) Program
Report No. 09 - 2023	2022-23 Financial Audits Overview
Report No. 08 - 2023	Supports for students with disability in ACT public schools
Report No. 07 - 2023	Annual Report 2022-23
Report No. 06 - 2023	Implementation of the ACT Aboriginal and Torres Strait Islander Agreement
Report No. 05 - 2023	Activities of the Government Procurement Board
Reports Published in 2022-23	
Report No. 04 - 2023	Procurement of a hybrid electric fire truck
Report No. 03 - 2023	Financial Management Services for Protected Persons
Report No. 02 - 2023	Management of Operation Reboot (Outpatients)
Report No. 01 - 2023	Construction occupations licensing
Report No. 10 - 2022	2021-22 Financial Audits Financial Results and Audit Findings
Report No. 09 - 2022	ACT Emergency Services Agency cleaning services arrangement
Report No. 08 - 2022	2021-22 Financial Audits – Overview
Report No. 07 - 2022	ACT Childhood Healthy Eating and Active Living Programs
Report No. 06 - 2022	Annual Report 2021-22
Report No. 05 - 2022	Procurement and contracting activities for the Acton Waterfront Project

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