



Legislative Assembly for the
Australian Capital Territory

Select Committee on Financial
Management and Government
Procurement Legislative Compliance

Submission cover sheet

Inquiry into Financial Management and Government Procurement Legislative Compliance

Submission number: 06

Submitter: ACT Auditor-General

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Dear Ms Carrick

Inquiry into Financial Management and Government Procurement Legislative Compliance - Submission

Thank you for your letter of 5 March 2026 inviting me to make a submission in relation to the Inquiry into Financial Management and Government Procurement Legislative Compliance.

The information presented below is based on recent findings and observations from the work performed by the ACT Audit Office (Audit Office) on financial and performance audits under the *Auditor-General Act 1996* that may be relevant to the Committee's Inquiry.

Financial Audits

A core component of the Auditor-General's mandate included in the *Auditor-General Act 1996* is auditing financial statements and reviewing statements of performance (where applicable) of the Territory, its directorates and territory authorities in accordance with the *Financial Management Act 1996 (FMA)*.

Audits and reviews are conducted in accordance with the Australian Auditing Standards (Standards) and result in the Audit Office issuing an auditor's report on the financial statements or limited assurance report on the statement of performance that is tabled in the Legislative Assembly through agencies' annual reports.

Under the Standards, the Audit Office is required to report any breaches in legislative reporting requirements identified during its audits and reviews by modifying the audit opinion in its reports.

Recent breaches of the FMA identified during these audits and reviews, and other relevant matters are discussed below.

Financial Statements Audits

The FMA requires annual financial statements to be prepared in accordance with applicable Australian Accounting Standards (Accounting Standards) (Section 22(2) (Territory), Section 27(2) (Directorates), and Section 63(2) (Territory Authorities)). Where an agency has not materially complied with applicable Accounting Standards, this constitutes non-compliance with the FMA.

No modified audit opinions were issued in relation to agencies' 2024-25 financial statements. However, one modified audit opinion was issued on the Cemeteries and Crematoria Authority's financial statements in 2023-24 due to the non-recording of assets and liabilities relating to the perpetual care trusts for long-term cemeteries maintenance as required by the Accounting Standards under the FMA.

Reviews of Statements of Performance

The FMA requires agencies to prepare an annual statement of performance that compares its actual performance with its forecast performance for the accountability indicators outlined in its budget for the year (Section 30A(1) and Section 30A(2)(a) - (b) (Directorates) and Section 68(1) and Section 68(2) - (3) (Territory Authorities)). Where an agency has not complied with these requirements, this constitutes non-compliance with the FMA.

In 2024-25, one reporting agency received a modified limited assurance conclusion because a result could not be measured for one of its accountability indicators due to the unavailability of underlying data.

In the past, instances of breaches of the FMA were also noted where agencies did not:

- set targets for indicators as required by the FMA; and
- establish systems for recording and reporting results.

Other Matters Observed from Financial Audits

Testing of Appropriations

As part of the audits of annual financial statements of the Territory and agencies, the Audit Office undertakes testing of appropriations (Controlled Recurrent Payments, Capital Injections and Payment for Expenses on Behalf of the Territory) to confirm that:

- amounts reported in the annual financial statements are approved by the Legislative Assembly through Appropriation Acts;
- any subsequent variations or transfers of appropriations are authorised by legislative instruments made under the FMA (including amounts transferred under Section 16B 'Rollover of undisbursed appropriation'); and
- the total amount of appropriation drawn by agencies is supported by the accounts and records of the Territory Banking Account and that the amount drawn does not exceed the approved appropriation.

No breaches of the FMA have been identified during the testing of appropriations as part of financial audits.

Changes to Administrative Arrangements

From time-to-time functions are transferred between agencies as part of administrative arrangements announced by the ACT Government. Section 16 of the FMA allows for the transfer of appropriation relating to the function to be passed on to the agency that receives the function without the appropriation lapsing.

In considering compliance with the FMA, the Audit Office notes that changes to Administrative Arrangements often take effect on a specified commencement date, while financial and operational transfers may occur at a later agreed date. For example, Administrative Arrangements 2024 (No. 1) came into effect on 8 November 2024, with the practical transfer of functions, appropriations and reporting responsibilities occurring on a later date, 31 December 2024, following agreement between affected agencies and the approval of the relevant financial instruments by the Treasurer.

Administrative Arrangements are internal executive instruments that allocate ministerial responsibility and establish administrative units. They do not, of themselves, transfer appropriations, amend budgets or modify performance criteria under the FMA. Having considered independent legal advice, the Audit Office concluded that the FMA does not require financial and operational transfers to occur on the commencement date of Administrative Arrangements. Where an agreed transfer date is established and agreed among relevant agencies and supported by related appropriation instruments under Section 16 of the FMA, that date is considered the effective date for FMA purposes. On this basis and considering the legal advice, no breach of the FMA was identified.

Notwithstanding this conclusion, flexibility in timing is not intended to permit unmanaged or prolonged delays. Agencies remain accountable for effective financial management and transparent reporting during transition periods, and delays that diminish clarity or increase risk may be subject to audit findings.

Performance Audits

Performance audit reports and information reports

The Audit Office has completed a range of performance audits that have considered procurement and contracting matters, including aspects of the *Government Procurement Act 2001*. These include:

- Reusable Facility Services Procurement (Report No.7/2024)
- Business Transformation Program: ICT renewal activities (Report No.6/2024)
- Activities of the Government Procurement Board (Report No.5/2023)
- Procurement of a hybrid electric fire truck (Report No.4/2023)
- Management of Operation Reboot (Outpatients) (Report No.2/2023)
- Procurement and contracting activities for the Acton Waterfront Project (Report No.5/2022)
- Campbell Primary School Modernisation Project Procurement (Report No.13/2021)
- Procurement Exemptions and Value for Money (Report No.7/2021)
- Court Transport Unit Vehicle – Romeo 5 (Report No.3/2021)

The Audit Office also prepared an information report that related to procurement and contracting arrangements for cleaning services in the ACT Emergency Services Agency:

- ACT Emergency Services Agency cleaning services arrangements (Report No.9/2022)

These reports have identified a range of practices associated with the conduct of procurement, some of which were poor and some of which were good.

Of note is the *ACT Emergency Services Agency cleaning services arrangements* information report, which identified inter alia that a range of cleaning services had been supplied since 2008 'without an agreed contractual arrangement or any evidence of a procurement process'.

The *Business Transformation Program: ICT renewal activities* report also identified non-compliance with the *Government Procurement Act 2001* on the part of the Public Trustee and Guardian as well as a broader misapprehension that the Act did not apply to its activities.

Other performance audit reports have identified shortcomings associated with:

- probity of decision-making (*Campbell Primary School Modernisation Project Procurement*)
- identification of business needs and management of procurement risk (*Procurement of a hybrid electric fire truck* and *Court Transport Unit Vehicle – Romeo 5*)
- documenting value for money considerations in the procurement process (*Procurement of a hybrid electric fire truck*, *Procurement and contracting activities for the Acton Waterfront Project* and *Procurement Exemptions and Value for Money*)

It is useful to note the *Activities of the Government Procurement Board* performance audit report and its role in highlighting the use and effectiveness of the Government Procurement Board. The audit report made a series of recommendations relating to the operation of the Board, which were agreed to by the ACT Government.

Insights publications

The Audit Office produces two Insights publications each year. These publications are included on the Office's website at [Insight Publications - ACT Audit Office](#).

In December 2022, the Audit Office published its *Insights on procurement*. It highlighted the importance of:

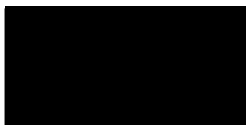
- considering capabilities before commencing a procurement
- understanding the organisation's business needs for the procurement
- being clear about roles and responsibilities
- taking probity seriously
- being alert to risk

Review of the Legislation

I note that a number of minor amendments were made to the *Financial Management Act 1996* and *Government Procurement Act 2001* since they were enacted. It would be useful to consider if a comprehensive review of both legislation is undertaken to ensure these continue to be contemporary and fit for purpose going forward.

I trust the above information would be useful to the Inquiry. Should you require any further information in relation to the matters outlined above please contact me.

Yours sincerely



Ajay Sharma PSM
ACT Auditor-General
13 April 2026