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ACT AUDITOR–GENERAL'S

FINANCIAL AUDIT REPORT

2024-25 Financial Audit Program – Overall Results

Report No. 7 / 2025

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

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

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

ACT Auditor-General's Report

2024-25 Financial Audit Program - Overall Results

Report No. 7/2025

December 2025

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 '2024-25 Financial Audit Program - Overall Results' for tabling in the ACT Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996.*

Yours sincerely

Michael Harris
Auditor-General
18 December 2025

Content

Summary

The Auditor-General plays a critical role in ensuring the ACT Government remains transparent and accountable to the community.

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*.

The Auditor-General also performs financial audits under other laws or agreements, such as the *Corporations Act 2001*, the *Australian Charities and Not-for-profits Commission Act 2012*, joint venture agreements, trust deeds, or funding arrangements with the Commonwealth Government.

These audits and reviews are essential for ensuring that financial and performance information provided to the community is accurate, transparent, and compliant with relevant legislative requirements.

This report provides an overview of the results of the audits and reviews performed during 2025 including highlights in relation to the Territory's financial performance, results of key accountability indicators and significant audit findings.

Conclusion

Overall, the quality of financial and performance reporting in the Territory is good, as agencies are generally submitting good quality financial statements and statements of performance to the Audit Office for review on a timely basis and are receiving unmodified audit reports with few exceptions.

The Territory's finances need to be managed carefully going forward as net operating deficits continue to be incurred as the growth in expenditure outpaces the growth in revenue and debt continues to increase.

Debt has grown significantly in recent years and is expected to grow further with annual interest payments expected to reach $1 billion a year or 9 percent of the Territory's total budget by 2029.

This sustained pressure from higher expenses and debt highlights structural challenges and will require strong budget and fiscal management to ensure financial sustainability over the longer term.

While the total number of audit findings reported to agencies has reduced since the prior year, a significant portion of findings from prior years are yet to be resolved highlighting that agencies need to give greater attention to resolving weaknesses identified during their audits in a more timely manner.

Key Findings

Results of the Financial Audit Program

The overall quality and timeliness of financial reporting is high with all agency and the Territory's financial statements receiving an unmodified auditor's report.

The overall quality and timeliness of performance reporting by agencies, where applicable, is good with all but one agency receiving an unmodified limited assurance report on their statement of performance.

Territory's Financial Performance

The Territory's net operating deficit of $1.5 billion in 2024-25 was $497 million above budget and has increased by 133 percent since 2020-21.

Actual deficits exceeded the budget forecast in each of the years from 2022-23 to 2024-25.

The Territory's growth in expenses has outpaced revenue growth in most years, driving persistent operating deficits. This sustained pressure from higher expenses highlights structural challenges and reinforces the need for tighter cost controls and efficiency measures to restore fiscal sustainability over the longer term.

According to the Australian Bureau of Statistics, the Territory's 2023-24 taxation revenue of $5 551 per capita is close to the average across all states and territories. Therefore, any further increase in the Territory's revenue through taxation would place additional financial burden on taxpayers.

Liabilities have grown faster than assets, driven mainly by rising interest-bearing borrowings, this trend is expected to continue in the future. The rise in financial obligations highlights the need for careful debt management and fiscal strategies to ensure the Territory's net assets do not deteriorate over the long term.

The short term asset to liability ratio declined from 1.5:1 in 2023-24 to 1.4:1 in 2024-25 and is below the budgeted ratio of 1.7:1.

The Territory's net debt is $11.2 billion and is projected to rise by a further $5.5 billion (49 percent) in the next four years, driven by additional borrowings.

Although the Territory retains a strong AA credit rating, the downgrade from AA+ reflects an independent assessment of its weakened fiscal position driven by growing deficits and rising debt. In the absence of strong action to return the budget to a meaningful surplus position, the credit rating is in danger of deteriorating further.

The Territory's borrowings grew by $5.6 billion (67 percent) over the past five years. Over the next four years, borrowings are projected to rise by an additional $7.2 billion (51 percent) from the 2024-25 level. Consequently, annual interest payments are expected to reach $1.0 billion (9 percent of expenses) by 2028-29, reflecting a significantly higher debt burden.

The Territory's net financial worth remains deeply negative throughout, deteriorating from negative $14.8 billion in 2020-21 to negative $20.9 billion by 2028-29, reflecting persistent structural imbalance between liabilities and financial assets. This trajectory highlights growing fiscal pressure and the need for disciplined borrowing and expenditure management to maintain financial sustainability.

Despite improvements in the superannuation investments to liabilities ratio, the Territory is unlikely to achieve its objective of fully funding the defined benefit superannuation liability by 30 June 2030.

While agencies report progress on their capital works in their annual report, the centralised quarterly progress report provided to the Assembly on the delivery of the Territory's capital works program lacks detail on initial project budgets, own source revenue contributions used by agencies to fund their capital works and expected completion dates. Including this information would be a better practice and make it easier for the Assembly to more readily assess whether the Territory's significant capital works projects are being delivered within budget and on time.

Net Cost of Services

The total amount by which Directorates exceeded their net cost of services in 2024-25 was $355 million. More than seventy percent of this overrun was from the Transport Canberra and City Services Directorate ($133 million) and the ACT Health Directorate ($126 million).

The Government provided an additional $102 million in Controlled Recurrent Payments funding to these Directorates in 2024-25 through the mid-year supplementary budget. The ACT Health Directorate received more than half of this funding.

Key Accountability Indicators

Canberra Health Services - The percentage of ACT elective surgery patients admitted for surgery within clinical recommended timeframes for all three waiting list categories are below target.

Community Services Directorate - The number of days children and youth are in custody has consistently been higher than the target in the last three years.

Suburban Land Agency - The actual number of residential dwellings released were less than planned over the last four years with the result being 24 percent below the target in 2024-25.

Housing ACT - Public housing properties have been consistently allocated to all individuals with high priority needs since 2023-24.

Transport Canberra Operations - Both light rail and buses consistently met the established punctuality targets.

Justice and Community Safety Directorate - Ambulance response times within the last four years have been on average 2 minutes later than the targeted timeframes.

Education Directorate - In the past four years the number of enrolments in preschools has gradually declined and attendance targets for ACT public schools in Years 1-10 have not been met.

The Chief Minister, Treasury and Economic Development Directorate's 'FAP 2 Strengthening Performance and Accountability: A Framework for the ACT Government' (FAP 2) was issued around 5 years ago and has not been updated since.

The framework for performance reporting (FAP 2) does not include a template or 'model statement of performance' that agencies can use as an example to prepare their statement of performance. This can lead to errors and inconsistencies in performance reporting by agencies across the Territory.

Significant Audit Findings

The number of outstanding audit findings reduced from 92 in the prior year to 75 in 2024-25, reflecting progress in agencies efforts to address audit recommendations. Fourty of these findings relate to prior years highlighting that further attention is required to fully address more complex or recurring issues in a timely manner.

Audit findings on governance matters have increased with 7 new findings. This highlights the need for agencies to reinforce accountability mechanisms and ensure that control frameworks are applied consistently across operations.

Agencies should further improve their quality assurance practices in preparing financial statements, statement of performance and related working papers to support a robust and timely audit process.

The Audit Office has observed audit findings across agencies that reflect deficiencies that are of similar nature and account for over half of the findings, with a high proportion relating to IT controls such as user access management and monitoring controls, system security and information security documentation.

Annual Reporting

Eleven agency's annual reports contained errors and three agency's published their annual reports two days after the required due date indicating that some agencies need to improve their processes for publishing their annual reports to ensure accurate and timely information is made avaliable to the Assembly and the community.

Report Snapshot

Results of the Financial Audit Program

61 unmodified auditor's reports were issued on financial statements	100% of auditor's reports issued were unmodified	95% of financial statements were assessed as good or satisfactory	92% of financial statements were submitted on time
29 unmodified limited assurance reports were issued on statements of performance	1 modified limited assurance report was issued	97% of limited assurance reports were unmodified	100% of statements of performance were submitted on time and were assessed as good or satisfactory

Territory's Financial Performance

Unmodified Auditor's Report	$1.5 billion net operating deficit	$13.9 billion in borrowings	$519 million per year in interest costs
1.4:1 Short term asset to liability ratio	$497 million higher net operating deficit than budgeted	67% increase in borrowings over the last five years	$1.26 billion spent on capital works

Audit Findings

75 audit findings were reported to agencies	18% fewer audit findings than last year	40 audit findings relate to unresolved findings from prior years	40% of new audit findings relate to IT control weaknesses

1 Overview of Financial Audit Program

1.1 This chapter provides a summary of the results of financial statements audits and reviews of statements of performance performed in 2024-25. It also includes information on the quality and timeliness of these statements submitted to the Audit Office.

Significant Observations

The overall quality and timeliness of financial reporting is high with all agency and the Territory's financial statements receiving an unmodified auditor's report.

The overall quality and timeliness of performance reporting by agencies, where applicable, is good with all but one agency receiving an unmodified limited assurance report on their statement of performance.

Financial Statements Audits

1.2 Financial statements audits are conducted in accordance with the Australian Auditing Standards. An auditor's report is issued following the completion of the audit that confirms whether the financial statements are fairly presented and comply with the *Financial Management Act 1996* or relevant reporting framework including Australian Accounting Standards.

1.3 The auditor's report is provided to the ACT Government agency and a copy is provided to the relevant Minister and included in the agency's annual report for tabling in the ACT Legislative Assembly.

Types of audit opinions on financial statements

1.4 Auditors can include two types of audit opinions in their auditor's report on the financial statements in accordance with the Australian Auditing Standards, depending on the nature and extent of any identified issues.

1.5 An **unmodified** opinion is issued when the auditor concludes that the financial statements are free from material misstatements and have been prepared in accordance with the applicable financial reporting framework. In some cases, the auditor may include:

- an "emphasis of matter" paragraph to draw attention to significant information already disclosed in the financial statements that is essential for users' understanding of the financial statements; or
- an "other matter" paragraph to highlight important issues not presented in the financial statements but relevant to understanding the audit process or the auditor's responsibilities.

1.6 In contrast, a **modified** opinion is issued when the auditor identifies matters that affect the reliability of the financial statements. A modified opinion can take one of three forms:

- qualified opinion – issued when the auditor identifies a material misstatement or is unable to obtain sufficient appropriate audit evidence, but the issue is confined to specific areas and does not significantly affect the overall financial statements.
- adverse opinion – issued when misstatements are both material and pervasive, resulting in financial statements that do not present a true and fair view.
- disclaimer of opinion – issued when the auditor cannot obtain sufficient appropriate audit evidence and concludes that the possible effects of undetected misstatements could be both material and pervasive, preventing the auditor from forming an opinion.

Number and type of audit opinions issued

61	100%
unmodified auditor's reports were issued	of auditor's reports issued were unmodified

1.7 In 2024-25, all 61 auditor's reports issued on financial statements were unmodified, meaning that they contain no material errors and that they present a true and fair view of the financial results in accordance with the relevant reporting framework. A listing of all agencies audited and the auditor's reports issued is provided in **Appendix A**.

1.8 Some agencies' report included an "emphasis of matter" paragraph to draw attention to the basis of preparation of the financial statements or to significant estimates used in their preparation. However, for one agency the paragraph highlighted disclosures in their financial statements relating to the fact that they had not properly recognised transactions in their prior year results as required by Australian Accounting Standards. The report for this agency was modified in 2023-24.

1.9 Two new audits were completed in 2024-25 in relation to the ACT Sustainable Household Scheme Trust and ACT Private Buildings Cladding Scheme Loans Trust.

Timeliness of financial statements submitted for audit

92%

of financial statements were submitted on time

1.10 The reporting timetable specifies the dates by which agencies are required to submit their draft financial statements to the Audit Office for audit. Compliance with the timetable is essential to meet reporting requirements and to ensure the timely reporting of financial information to the community and other stakeholders.

1.11 Most agencies are subject to the whole-of-government reporting timetable which is set by the Chief Minister, Treasury and Economic Development Directorate to facilitate compliance with legislative timeframes for annual reporting. However, some agencies have a timeframe that is agreed with the Audit Office to meet their applicable reporting requirements.

1.12 In 2024-25, the timeliness of financial statements submitted for audit was good with 92 percent of draft financial statements being submitted in accordance with the reporting timetable. This was a slight decrease from last year's result of 94 percent. Agencies that did not submit their statements on time generally submitted them within a few days after the due date.

Quality of financial statements submitted for audit

95%

of financial statements were assessed as good or satisfactory

1.13 Financial statements are required to be appropriately reviewed with adequate quality assurance processes being undertaken by the agency prior to being presented for audit to the Audit Office. Inadequate quality assurance processes in the preparation and review of the financial statements increase the risks of:

- material misstatements in the financial statements;
- delays in the audit which can potentially lead to non-compliance with reporting timeframes; and
- more time spent on the audit resulting in higher audit costs.

1.14 The Audit Office assesses the quality of draft financial statements submitted for audit to evaluate the adequacy of the processes implemented by reporting agencies in preparing and reviewing their financial statements. The assessment is conducted using the rating criteria outlined in **Appendix C**.

1.15 In 2024-25, the overall quality of the financial statements submitted for audit was high with 95 percent of them assessed as either good or satisfactory, a slight improvement from last year's result of 90 percent.

1.16 Three agency's financial statements were rated as fair because significant changes were required to their disclosures or several misstatements were required to be corrected during the audit process.

Statement of Performance Reviews

1.17 Alongside financial reporting obligations, relevant directorates and territory authorities must also prepare a statement of performance each financial year. This statement reports the extent to which the entity met its performance targets for its accountability indicators, as outlined in its budget or statement of intent.

1.18 Under the *Financial Management Act 1996* and the *Financial Management (Statement of Performance Scrutiny) Guidelines 2019,* the Auditor-General is required to review the statement of performance to assess whether the reported results are accurate, measurable, and consistent with the approved criteria. A limited assurance report is then issued to the agency in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and a copy is provided to the relevant Minister and included in the agency's annual report for tabling in the ACT Legislative Assembly.

Types of limited assurance reports on statements of performance

1.19 There are two types of conclusions, unmodified and modified, that can be provided in the limited assurance report.

1.20 A limited assurance report with an unmodified conclusion is issued when the auditor finds no evidence to indicate that the statement of performance is inaccurate or not fairly presented in accordance with the requirements of the *Financial Management Act 1996*.

1.21 In contrast, a modified conclusion is issued when a reporting agency fails to accurately report or fairly present their statement of performance in accordance with the requirements of the *Financial Management Act 1996*.

Number and type of limited assurance reports issued

29	1	97%
unmodified limited assurance reports were issued	**modified limited assurance report was issued**	**of limited assurance reports were unmodified**

1.22 In 2024-25, 29 limited assurance reports issued on statements of performance were unmodified, meaning the reviews did not find anything that would indicate that the reported results are inaccurate or unfairly presented.

1.23 One reporting agency, however, received a modified conclusion as an accountability indicator could not be measured due to the unavailability of the underlying data.

1.24 A detailed listing of all limited assurance reports issued is provided in **Appendix B**.

Timeliness of statements of performance submitted for review

100%

of statements of performance were submitted on time

1.25 The reporting timetable includes the dates by which agencies are required to submit their statement of performance to the Audit Office for review. Compliance with the timetable is required to meet statutory annual reporting timeframes and to ensure the timely reporting of performance information to stakeholders.

1.26 In 2024-25, all statements of performance were submitted for review in accordance with the timetable. This was an improvement from last year's result of 93 percent.

Quality of statements of performance submitted for review

100%

of statements of performance were assessed as good or satisfactory

1.27 Similar to the financial statements, the Audit Office performs an assessment of the quality of draft statements of performance submitted for review. This assessment is conducted using the same rating criteria applied to the financial statements, as detailed in **Appendix C**.

1.28 This assessment assists with evaluating the adequacy of reporting agencies' processes for preparing them as a poor process increases the risk of reporting errors and affects the time and cost of performing the review.

1.29 In 2024-25, the overall quality of statements of performance submitted for review was high with 100 percent of them assessed as either good or satisfactory, an improvement from last year's result of 97 percent.

2 Territory’s Financial Performance

2.1 This chapter provides an analysis of the financial performance of the Territory. The financial results of the Territory comprises of agencies in the General Government Sector (GGS) and Public Non-Financial Corporations Sector (PNFC).

2.2 GGS agencies are largely directorates responsible for delivering essential public services and are primarily funded through Government appropriations. Agencies in the PNFC are largely those that deliver services directly to the community on a commercial fee-for-service basis.

2.3 The Territory’s 2024-25 audited financial statements were tabled in the ACT Legislative Assembly on 2 December 2025 and can be accessed from this website https://www.treasury.act.gov.au/publications.

Significant Observations

The Territory’s net operating deficit of $1.5 billion in 2024-25 was $497 million above budget and has increased by 133 percent since 2020-21.

Actual deficits exceeded the budget forecast in each of the years from 2022-23 to 2024-25.

The Territory’s growth in expenses has outpaced revenue growth in most years, driving persistent operating deficits. This sustained pressure from higher expenses highlights structural challenges and reinforces the need for tighter cost controls and efficiency measures to restore fiscal sustainability over the longer term.

According to the Australian Bureau of Statistics, the Territory’s 2023-24 taxation revenue of $5 551 per capita is close to the average across all states and territories. Therefore, any further increase in the Territory’s revenue through taxation would place additional financial burden on taxpayers.

Liabilities have grown faster than assets, driven mainly by rising interest-bearing borrowings, this trend is expected to continue in the future. The rise in financial obligations highlights the need for careful debt management and fiscal strategies to ensure the Territory’s net assets do not deteriorate over the long term.

The short-term asset to liability ratio declined from 1.5:1 in 2023-24 to 1.4:1 in 2024-25 and is below the budgeted ratio of 1.7:1.

The Territory’s net debt is $11.2 billion and is projected to rise by a further $5.5 billion (49 percent) in the next four years, driven by additional borrowings.

Although the Territory retains a strong AA credit rating, the downgrade from AA+ reflects an independent assessment of its weakened fiscal position driven by growing deficits and rising debt. In the absence of strong action to return the budget to a meaningful surplus position, the credit rating is in danger of deteriorating further.

The Territory's borrowings grew by $5.6 billion (67 percent) over the past five years. Over the next four years, borrowings are projected to rise by an additional $7.2 billion (51 percent) from the 2024-25 level. Consequently, annual interest payments are expected to reach $1.0 billion (9 percent of expenses) by 2028-29, reflecting a significantly higher debt burden.

The Territory's net financial worth remains deeply negative throughout, deteriorating from negative $14.8 billion in 2020-21 to negative $20.9 billion by 2028-29, reflecting persistent structural imbalance between liabilities and financial assets. This trajectory highlights growing fiscal pressure and the need for disciplined borrowing and expenditure management to maintain financial sustainability.

Despite improvements in the superannuation investments to liabilities ratio, the Territory is unlikely to achieve its objective of fully funding the defined benefit superannuation liability by 30 June 2030.

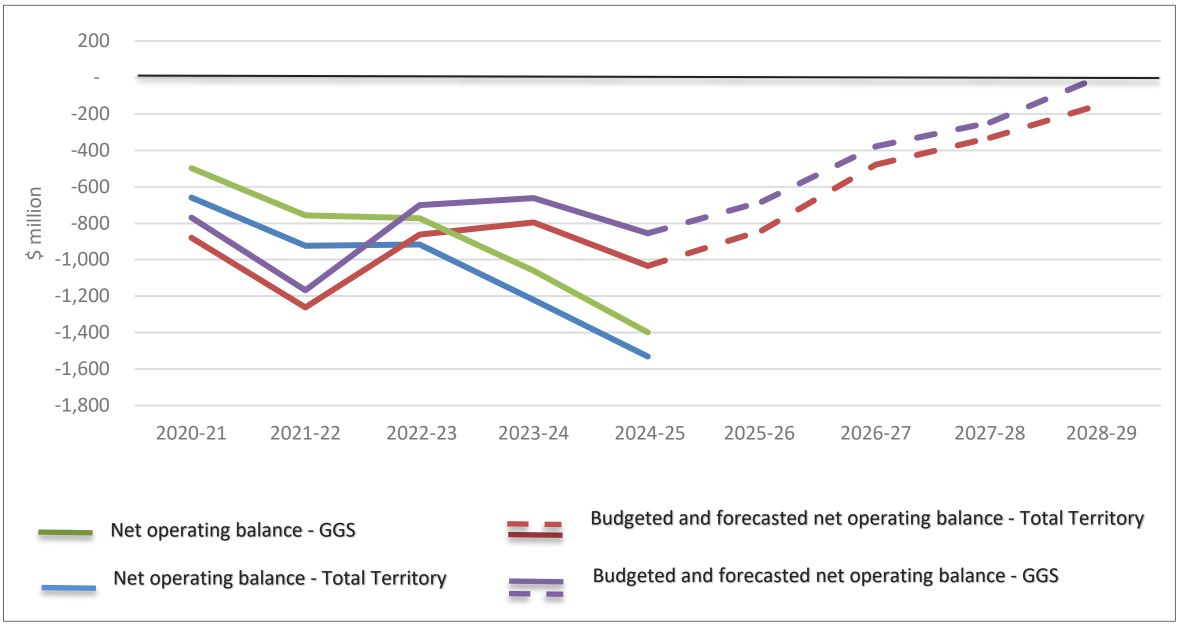
While agencies report progress on their capital works in the annual report, the centralised progress report provided to the Assembly by Treasury on the delivery of the Territory's capital works program lacks detail on initial project budgets, own source revenue contributions used by agencies to fund their capital works and expected completion dates. Including this information would be a better practice and make it easier for the Assembly to more readily assess whether the Territory's significant capital works projects are being delivered within budget and on time.

Net Operating Balance

2.4 The primary measure of the Territory's performance is the net operating balance, which shows the cost of delivering services versus the revenue collected. A positive balance means revenue exceeds costs (a surplus), while a negative balance means costs are higher than revenue (a deficit). Comparing this to the budget and previous years shows whether performance is on track, improving, or declining.

2.5 Figure 2-1 shows the net operating balance compared to the budget for the current year and the previous four years; as well as projected amounts for the next four years.

Figure 2-1 Net Operating Balance - Actual vs Budget



Source: The Territory's audited financial statements for relevant years and 2025-26 Budget Papers.

2.6 The Territory has been in deficit since 2020-21. Actual deficits have exceeded budget estimates in most years, with the gap widening significantly in 2023-24 (54 percent) and 2024-25 (48 percent). While the budget projects a gradual improvement from 2025-26 onwards, the forward estimates still indicate ongoing deficits through to 2028-29.

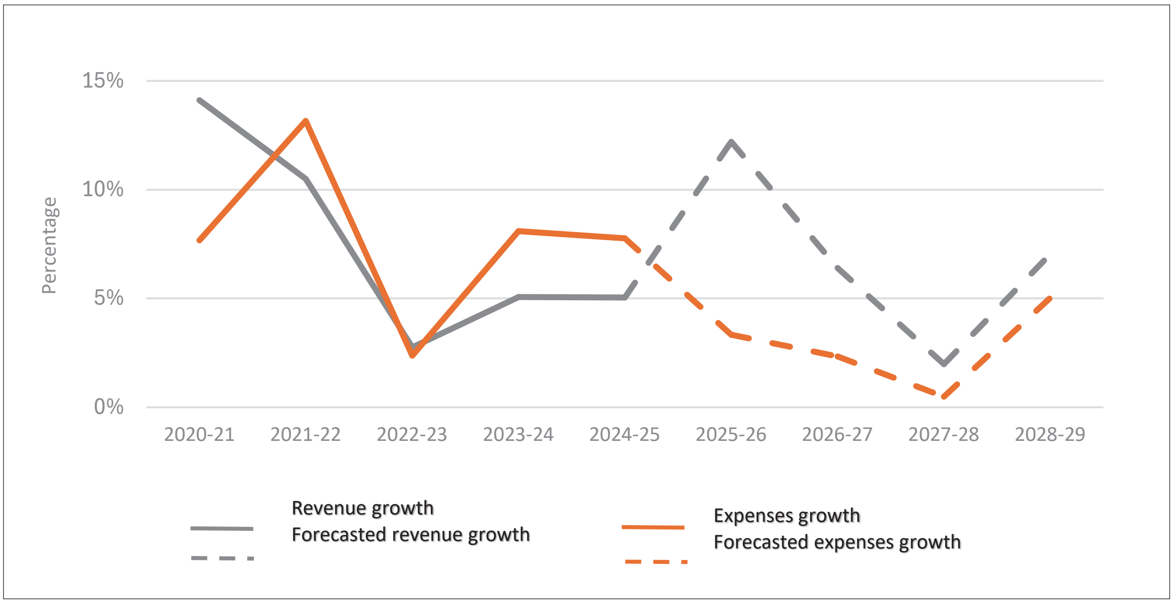
2.7 For 2024-25, the Territory recorded a deficit of $1 531 million, exceeding the budgeted deficit of $1 034 million by $497 million (48 percent). Similarly, the GGS deficit of $1 398 million was significantly higher than the budgeted deficit of $855 million by $543 million or 64 percent. This variance reflects higher than expected operating costs, particularly employee expenses, combined with slower revenue growth in key areas such as taxation, Commonwealth grants and land revenue.

2.8 Over the past five years, net operating deficits have increased by 133 percent, rising from $658 million in 2020-21 to $1 531 million in 2024-25. This growth was largely driven by significant increases in operating costs, particularly employee expenses and additional spending in 2021-22 related to the health system's COVID-19 pandemic response. This trend highlights ongoing fiscal pressures and the need for tighter expenditure control and/or increase in taxation revenue and Commonwealth grants to meet forecast budget expectations.

Territory's growth in expenses versus revenue

2.9 As previously discussed, operating deficits are incurred when the Territory's expenses exceed its revenue. Over the past five years, as shown in Figure 2-2, the Territory's growth in expenses has outpaced revenue growth in most years, driving persistent operating deficits.

Figure 2-2 Territory's Expenses vs Revenue Trend



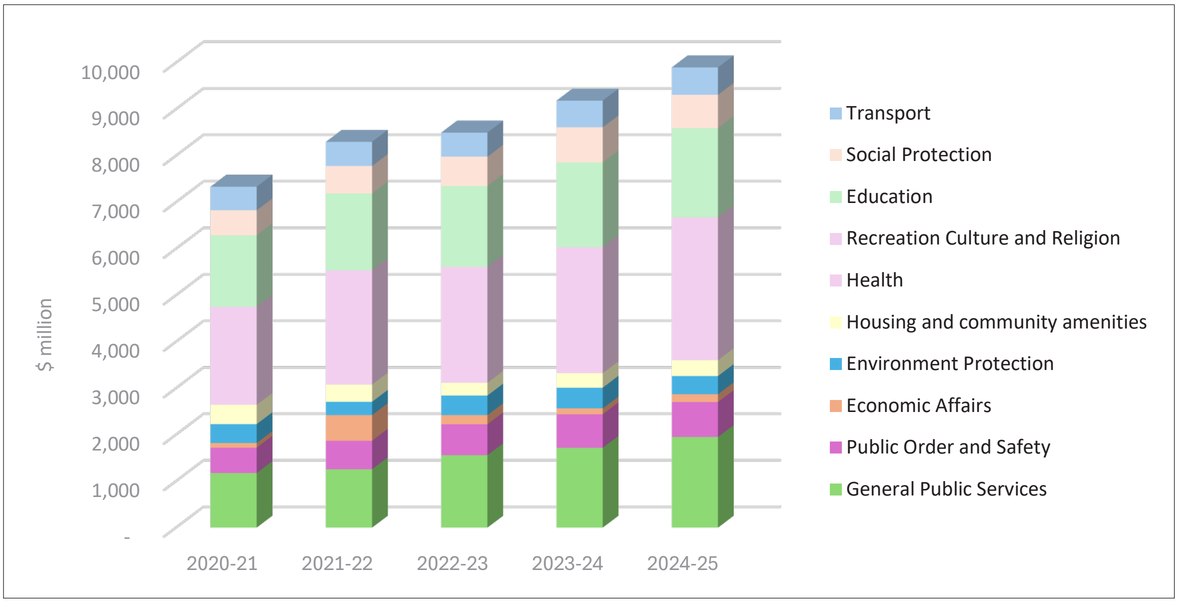
Source: The Territory's audited financial statements for relevant years and 2025-26 Budget Papers.

2.10 Expenses surged by 13 percent in 2021-22, largely due to the health system's COVID-19 response and rising employee costs and remained elevated at 8 percent in both 2023-24 and 2024-25 as staffing levels and service delivery expanded.

2.11 In contrast, revenue growth slowed after its early peak, widening the gap between income and expenditure. This sustained pressure from the increase in expenses highlights structural challenges and reinforces the need for tighter cost controls and efficiency measures to restore fiscal sustainability over the longer term.

2.12 In 2024-25, health, general public services and education remained the largest expense categories, accounting for $6 679 million or 67 percent of total spending, up from 65 percent in 2023-24. Over the past five years, as shown in Figure 2-3, these areas along with social protection, public order and safety, and transport have consistently incurred the highest proportion of expenses.

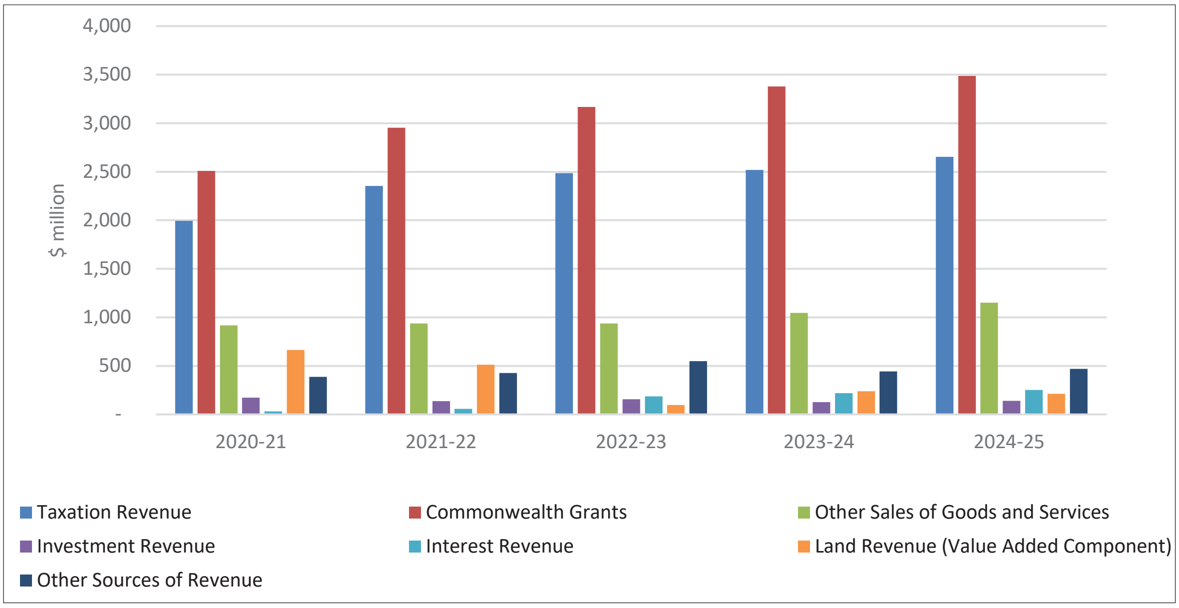
Figure 2-3 Expenses by Function



Source: The Territory's audited financial statements for relevant years.

2.13 The 2025-26 budget projects strong revenue growth of 12 percent compared to 2024-25, significantly outpacing projected expense growth of 3 percent over the same period, indicating an expected improvement in operating performance. However, given operating deficits exceeded budget estimates in most years, this trend does not present a reliable pattern for predicting future outcomes.

Figure 2-4 Territory's Revenue



Source: The Territory's audited financial statements for relevant years.

2.14 Revenue for the Territory increased by $402 million or 5 percent to $8 366 million compared to the previous year. While Commonwealth grants and other sales of goods and services both increased by $215 million, the growth in Territory revenue was largely driven by higher taxation revenue of $134 million resulting mainly from increase in general rates and more land tax from rising land values and more taxable properties. Land tax has increased by $83 million since 2020-21.

2.15 Taxation revenue showed steady growth over the five-year period, increasing from $1 995 million in 2020-21 to $2 652 million in 2024-25, with annual growth rates stabilising from 18 percent in 2021-22 to 5 percent in 2024-25.

2.16 The Territory has introduced several revenue measures in the 2025-26 budget, including increases in general rates for residential and commercial properties, increases in existing levies such as the Safer Families Levy, Police, Fire and Emergency Services Levy, and Road Safety Contribution Levy and introduction of new Health Levy.

2.17 Based on the latest available data from the Australian Bureau of Statistics, Taxation Revenue, available at https://www.abs.gov.au/statistics/economy/government/taxation-revenue-australia, the Territory's taxation revenue per capita in 2023-24 was $5 551, which is close to the average across all states and territories. Therefore, any further increase in Territory's revenue through taxation would place additional financial burden on taxpayers.

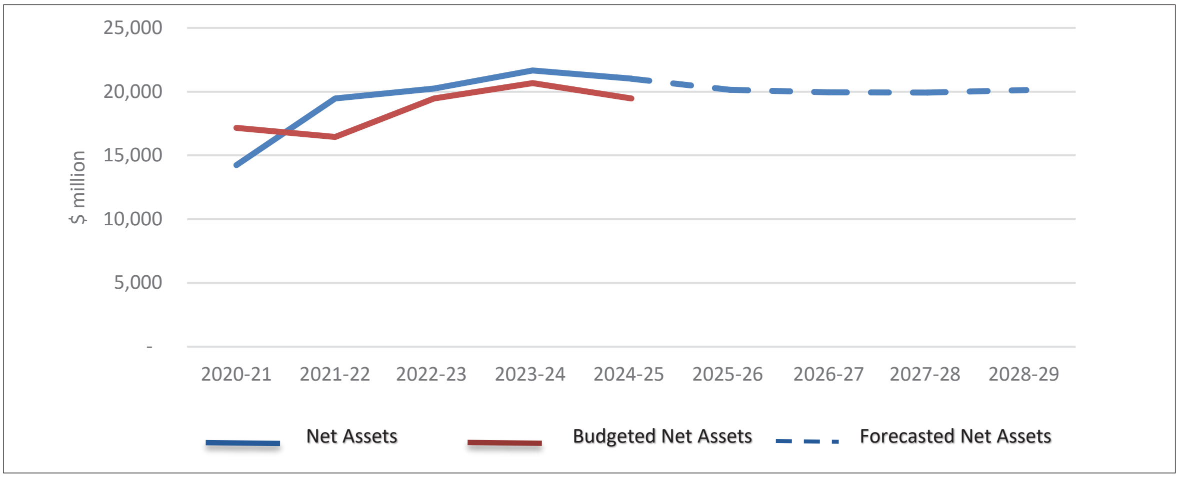
Assets and Liabilities

2.18 Net assets are the key indicator of the Territory's financial position, showing the strength of its balance sheet and its ability to meet obligations and fund future services. They represent what remains after all liabilities are deducted from assets.

Net Assets

2.19 Figure 2-5 shows the net assets compared to the budget for the current year and the previous four years, as well as projected amounts for the next four years.

Figure 2-5 Net Assets Trend Analysis



Source: The Territory's audited financial statements for relevant years and 2025-26 Budget Papers.

2.20 The Territory's net asset position is stable and is expected to remain steady in future years. Actual results have consistently exceeded expectations across most reported periods, reflecting a stronger financial position than forecast.

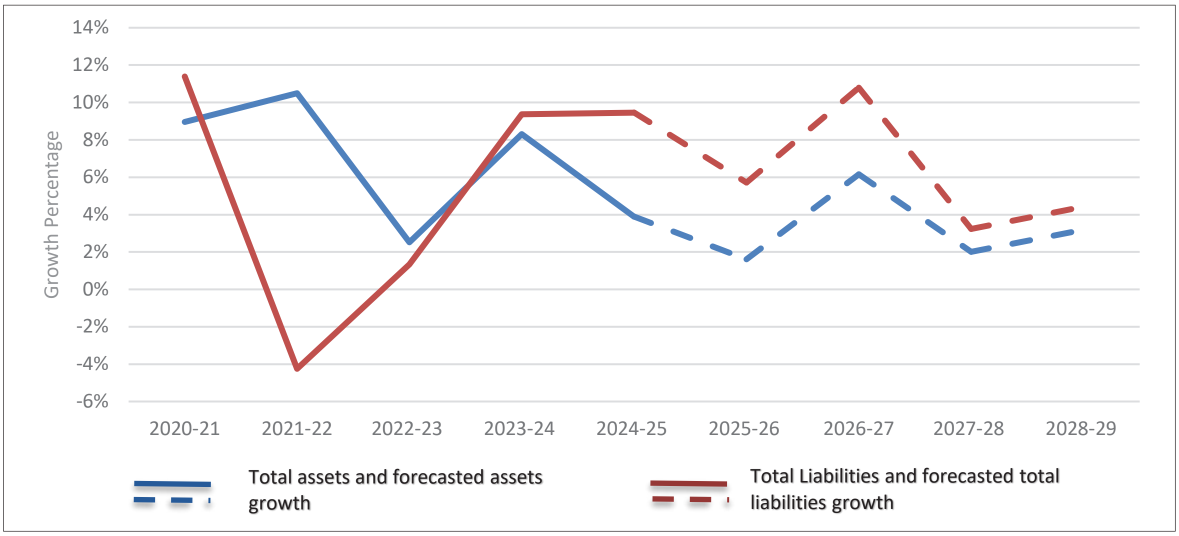
2.21 The Territory's net assets reached $21 012 million in 2024-25, $1 535 million (8 percent) above budget. This was driven by higher property, plant and equipment values from higher revaluations of infrastructure, heritage, and community assets. The gain was partly offset by increased liabilities from borrowings for operations and infrastructure, and unfunded superannuation liabilities reflecting the impacts from the annual liability valuation review.

2.22 Over the past five years, net assets have increased by 48 percent, rising from $14 239 million in 2020-21 to $21 012 million in 2024-25. This growth was largely driven by significant increases in property, plant and equipment primarily due to the completion of several capital projects during the period, such as road upgrades, school infrastructure, hospital improvements and community and recreational facilities, and asset revaluations.

Territory's growth in liabilities versus assets

2.23 Figure 2-6 shows that liability growth has exceeded asset growth in most years, reflecting a persistent upward trend in financial obligations.

Figure 2-6 Territory's Liabilities vs Assets Growth



Source: The Territory's audited financial statements for relevant years and 2025-26 Budget Papers.

2.24 Liability growth has outpaced asset growth for most years, largely due to increases in interest-bearing borrowings, and this trend is expected to continue as borrowings rise in future years.

2.25 The rising financial obligations highlights the need for careful debt management and fiscal strategies to ensure the Territory's net assets do not deteriorate over the long term.

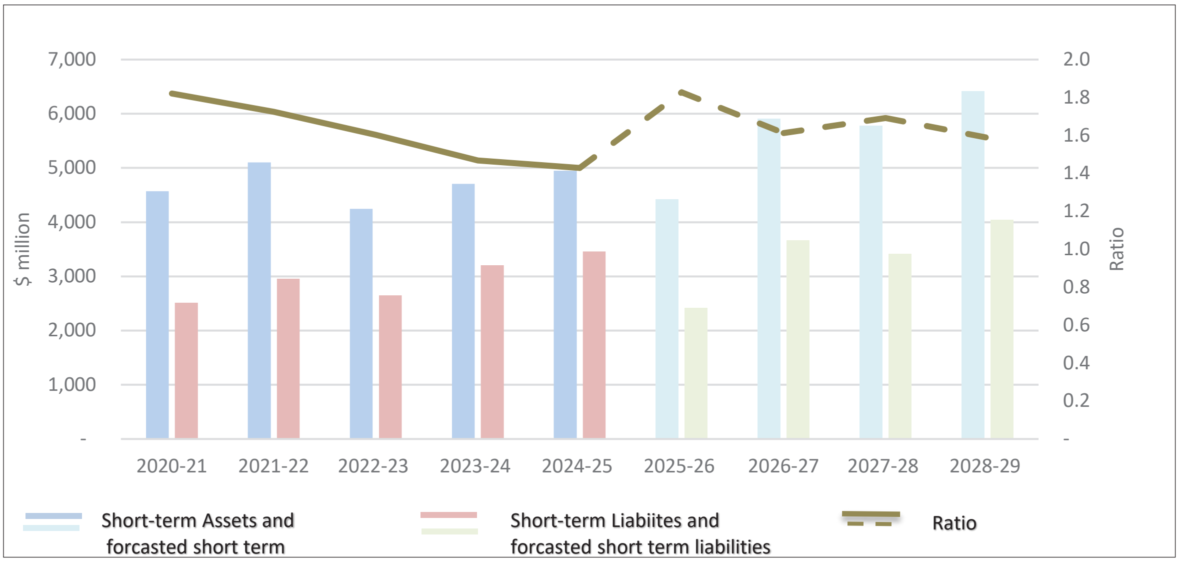
Short-term asset to liability ratio

2.26 The Territory's short term financial position reflects its ability to meet obligations by comparing short-term assets with short term liabilities. The short term asset to liability ratio declined from 1.5:1 in 2023-24 to 1.4:1 and is below the budgeted ratio of 1.7:1. This indicates that the Territory has approximately $1.40 in short term assets to meet every $1 of its short term liabilities.

2.27 Although short term assets still exceed short-term liabilities, the Territory's ability to meet these obligations is weakening and performing below expectations. This is primarily due to increased borrowings to support cash flow and infrastructure investment. Despite this, the Territory expects to maintain a positive net short term asset position over the next four years.

2.28 Figure 2-7 presents the Territory's net short term assets for the period from 2020-21 to 2028-29.

Figure 2-7 Net Short Term Assets Ratio



Source: The Territory's audited financial statements for relevant years and 2025-26 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.

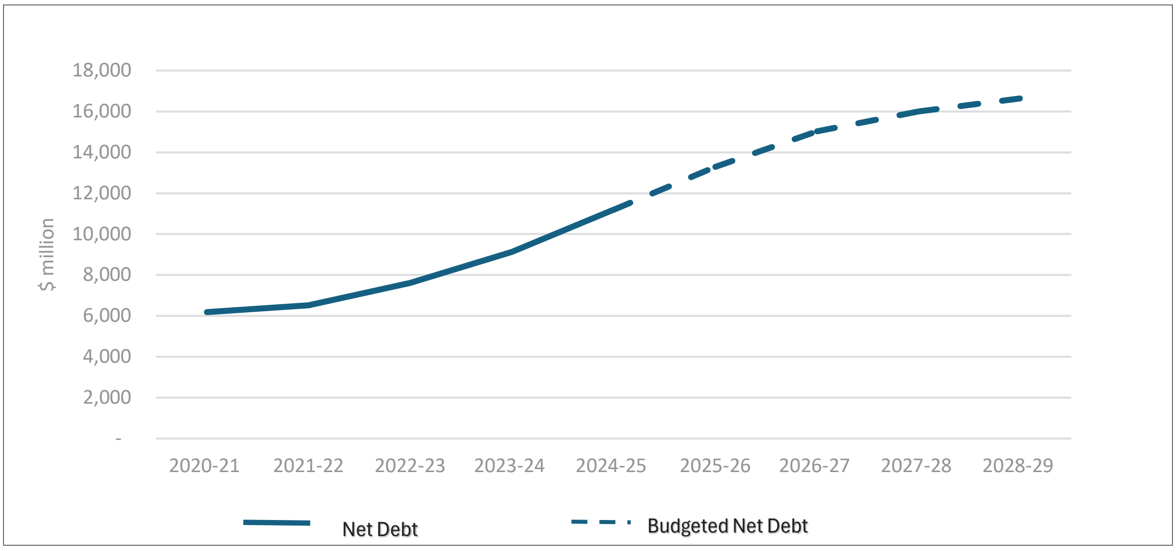
Note 2: Short term liabilities are calculated by subtracting current superannuation liabilities from the current liabilities reported in the Territory's financial statements.

Net Debt

2.29 Net debt is a key indicator of the Territory's overall fiscal strength. It is calculated by adding advances received, lease liabilities and other borrowings, then subtracting cash and deposits, advances paid, and investments. Superannuation investments are excluded because they can only be used for employee superannuation payments.

2.30 Figure 2-8 shows that the Territory's net debt is increasing and projected to increase for the next four years.

Figure 2-8 Net Debt Trend Analysis



Source: The Territory's audited financial statements for relevant years and 2025-26 Budget Papers.

2.31 At 30 June 2025, the Territory's net debt was $11 190 million, calculated as advances received, lease liabilities and other borrowings ($14 990 million) less available cash and deposits, advances paid and investments ($3 800 million). Superannuation investments are excluded as they are reserved for superannuation obligations.

2.32 Over the past five years, the Territory's net debt has grown by $5 005 million (81 percent), primarily due to an increase in interest-bearing borrowings, partially offset by an increase in liquid financial assets, mainly cash and deposits. Net debt is forecasted to rise by a further $5 450 million (49 percent) in the next four years, driven by additional borrowings.

2.33 With liabilities around four times greater than available financial assets, the Territory faces significant pressure on future revenue to service its debt, highlighting the need for strong fiscal management and close monitoring of borrowing levels to support long term financial sustainability. As noted earlier, the Territory's taxation revenue per capita is already close to the average across all states and territories, therefore, raising additional revenue through taxation would likely increase the burden on taxpayers.

2.34 This projected increase in net debt signals a substantial increase in the Territory's financial obligations, which will exert greater pressure on future budgets and reduce fiscal flexibility. Careful management of borrowing and expenditure will be essential to maintain long term sustainability and avoid further strain on revenue sources.

Territory's credit rating

2.35 Credit ratings indicate a borrower's capacity and willingness to meet debt obligations. A higher rating generally lowers borrowing costs and improves access to financial markets by reducing the perceived risk for lenders.

2.36 International credit rating agency S&P Global Ratings (S&P) has progressively revised its assessment of the Territory's creditworthiness in recent years. Following the 2023-24 Budget, in September 2023 the ACT's long term issuer credit rating was downgraded from AAA to AA+, and in September 2024 the outlook on that rating was revised from stable to negative, reflecting concerns about weakening fiscal controls and rising deficits. In September 2025, S&P downgraded the Territory's rating further to AA, citing widening deficits, while assigning a stable outlook.

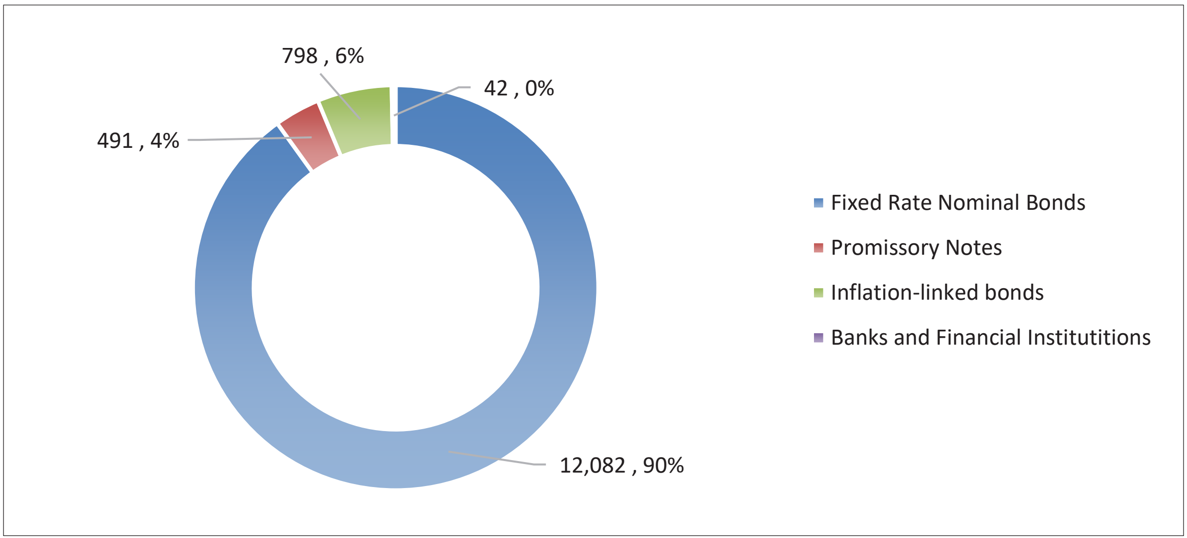
2.37 Whilst the Territory retains a high-grade AA credit rating, indicating a very strong capacity to meet its financial obligations, the downgrade from AA+ to AA is not insignificant, as it reflects an independent assessment that the Territory's fiscal position has weakened, particularly in relation to growing deficits, rising debt levels and reduced fiscal flexibility.

2.38 In the absence of strong action to return the budget to a meaningful surplus position, the credit rating is in danger of deteriorating further.

Territory's borrowings

2.39 Of the borrowings at 30 June 2025, $13 414 million were interest-bearing, with 87 percent sourced through fixed-rate nominal bonds. Figure 2-9 shows that the source of Territory's borrowings.

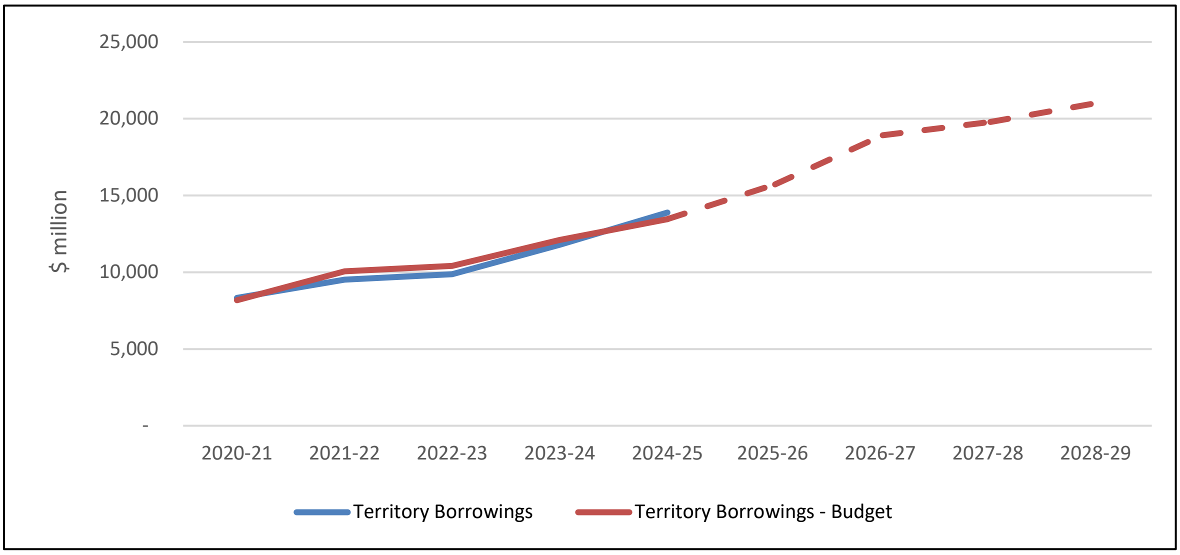
Figure 2-9 Source of Territory's Interest-Bearing Borrowings



Source: The Territory's audited financial statements.

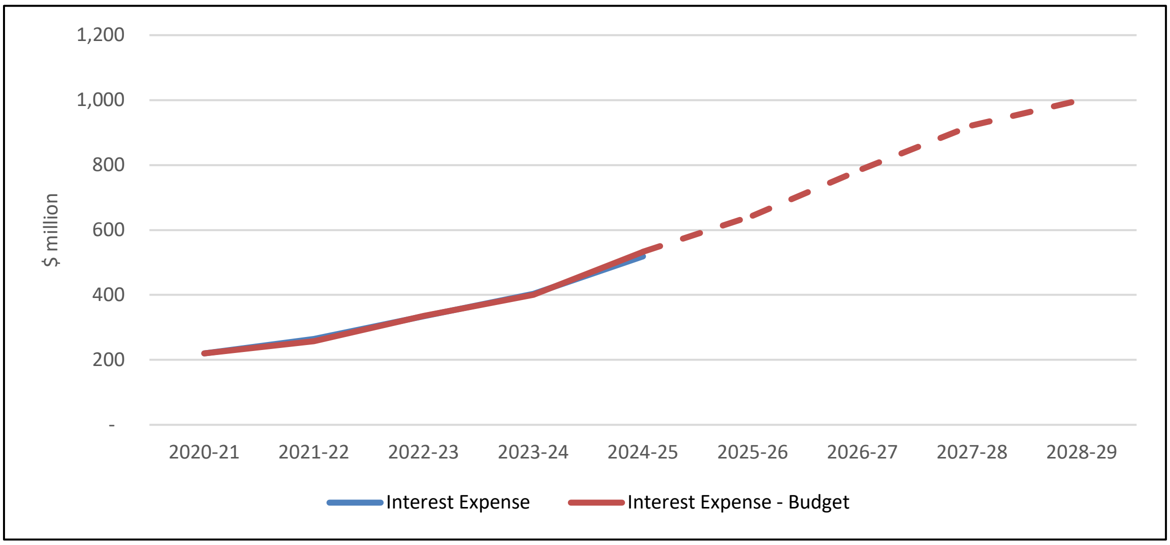
2.40 Figures 2-10 and 2-11, depict that the Territory's borrowings and interest expense is increasing, and this trend is expected to continue in the future.

Figure 2-10 Territory's Borrowing Trend



Source: The Territory's audited financial statements for relevant years and 2025-26 Budget Papers.

Figure 2-11 Territory's Interest Expenses Trend



Source: The Territory's audited financial statements for relevant years and 2025-26 Budget Papers.

2.41 Between 2020-21 and 2024-25, the Territory's borrowings increased substantially from $8 329 million to $13 888 million, representing a growth of $5 559 million or 67 percent over five years. During the same period, annual interest payments also rose sharply, from $220 million to $519 million, an increase of $299 million or 136 percent, reflecting the impact of rising debt levels on the Territory's ongoing financing costs.

2.42 The rise in interest-bearing borrowings was driven by the need to maintain cash flow, fund major infrastructure projects under the Territory's Infrastructure Program, and support the health system's COVID-19 response between 2019-20 and 2021-22. Significant infrastructure projects in 2024-25, included Light Rail Stage 2A, Woden Bus Depot, Gundaroo Drive Stage 3, the ACT Material Recovery Facility, and hospital upgrades.

2.43 In the next four years, the Territory's borrowings are projected to increase by a further $7 150 million, representing a 51 percent rise compared to the 2024-25 balance. This significant growth reflects the funding requirements for major infrastructure projects and service delivery expenditure.

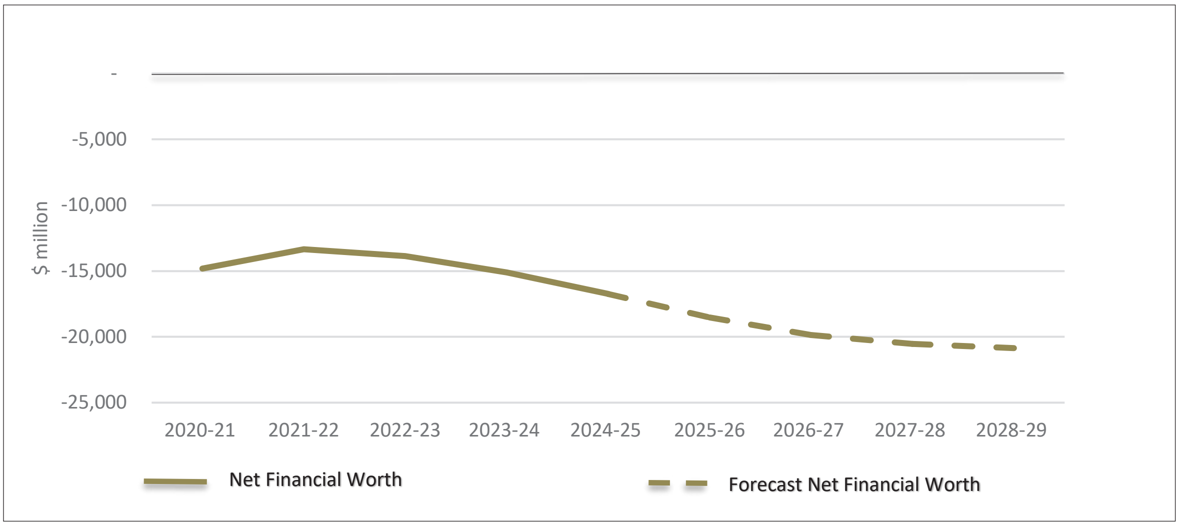
2.44 As a result of the higher debt levels, annual interest payments are expected to reach $1 001 million (9 percent of expenses) by 2028-29, placing additional pressure on the operating budget and highlighting the importance of careful debt management and fiscal strategies going forward.

Territory's Net Financial Worth

2.45 Net financial worth is the difference between financial assets and liabilities. A negative value means liabilities are higher than assets, creating pressure on future revenue to cover these obligations.

2.46 Figure 2-12 shows the Territory's net financial worth is declining and is expected to decline further in future.

Figure 2-12 Net Financial Worth



Source: The Territory's audited financial statements for relevant years and 2025-26 Budget Papers.

2.47 Net financial worth remains deeply negative throughout, deteriorating from negative $14 810 million in 2020-21 to negative $20 857 million by 2028-29, reflecting persistent structural imbalance between liabilities and financial assets.

2.48 This trajectory highlights growing fiscal pressure and the need for disciplined borrowing and expenditure management to maintain sustainability.

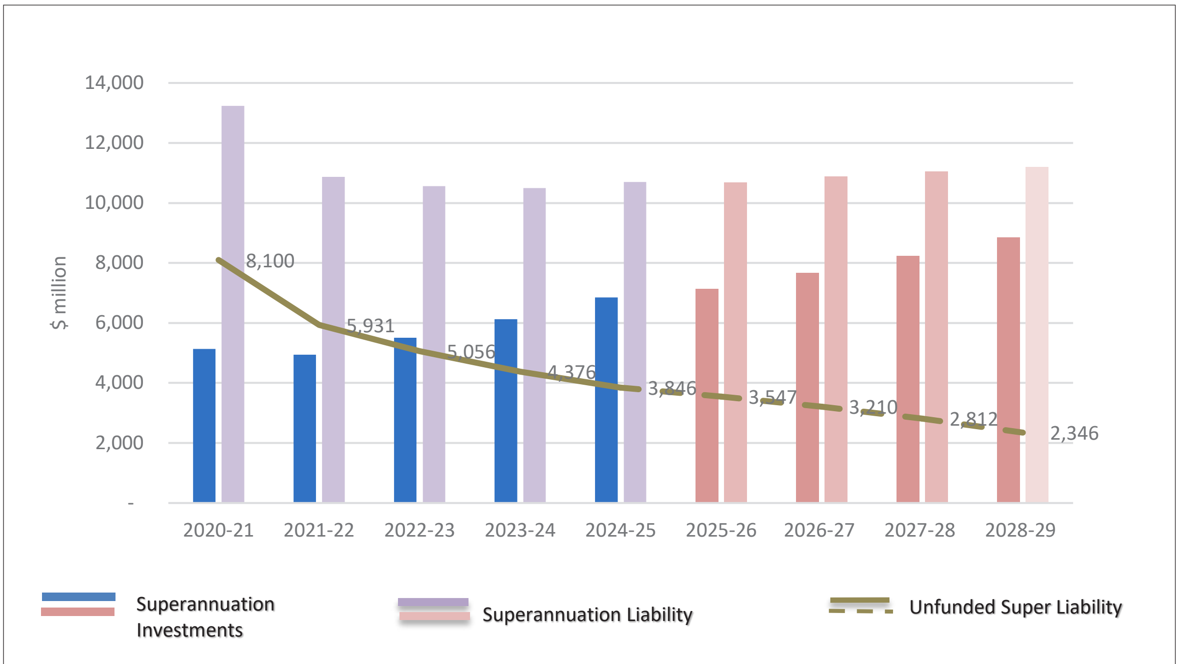
Unfunded Superannuation Liability

2.49 Superannuation liabilities are the Territory's estimated obligation to reimburse the Commonwealth Government for defined benefit superannuation schemes, including the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS), for current and former employees. The liability is measured at present value using the relevant Commonwealth Government bond discount rate, making it highly sensitive to rate changes, lower rates increase the liability, while higher rates reduce it.

2.50 The unfunded superannuation liability reflects the gap between the Territory's future obligations and the investments held to meet these liabilities. The Territory's long term financial objective is to fully fund the defined benefit superannuation liability by June 2030.

2.51 Figure 2-13 shows the superannuation investments, superannuation liabilities and unfunded superannuation liabilities trend.

Figure 2-13 Unfunded Superannuation Liabilities



Source: Superannuation Provision Account's audited financial statements for relevant years and Superannuation Provision Account's 2025-26 Budget Papers.

Note: Superannuation investments consist of cash, investment distributions receivable and investments.

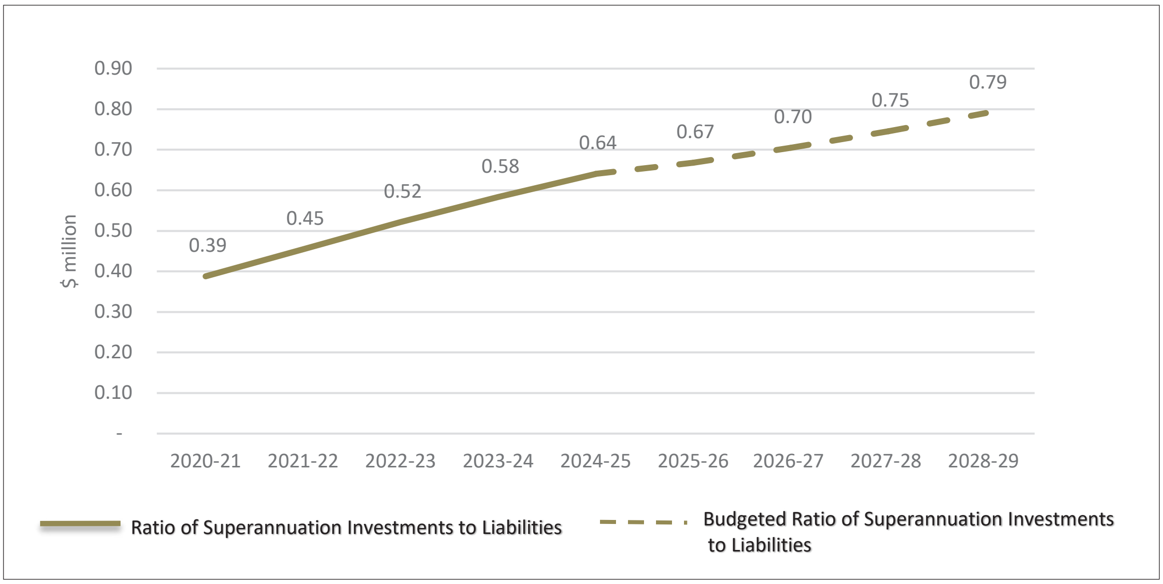
2.52 The Territory's unfunded superannuation liability reduced by $531 million (12 percent) from $4 376 million at 30 June 2024 to $3 845 million at 30 June 2025, mainly due to strong investment performance during the year. The unfunded liability was consistent with the budgeted result.

2.53 Over the past five years, the Territory's unfunded superannuation position has steadily strengthened, supported by consistent investment growth driven by strong asset performance and by superannuation liabilities remaining stable, as expected. This positive trend is estimated to continue through to 2028-29.

Territory's capacity to fund the superannuation liability by 30 June 2030[1]

2.54 Figure 2-14 shows that the superannuation investments to liabilities ratio is increasing.

Figure 2-14 Superannuation Investments to Liabilities Ratio



Source: The ratio is calculated based on Superannuation Provision Account's audited financial statements for relevant years and Superannuation Provision Account's 2025-26 Budget Papers.

2.55 The superannuation investments to liabilities ratio indicates the proportion of defined benefit liabilities funded by assets. This ratio has improved from 0.39:1 in 2020-21 to 0.64:1 in 2024-25 and is projected to reach 0.79:1 by 2028-29. Although progress is evident, the liability remains significant, necessitating ongoing investment growth and proactive management of investment strategies to ensure long term sustainability.

2.56 Despite these improvements, the Territory is unlikely to achieve its long term financial objective of fully funding the defined benefit superannuation liability by 30 June 2030, as only 79 percent of liabilities are expected to be funded by 30 June 2029.

2.57 Growth of the Territory's superannuation portfolio is primarily driven by the ongoing investment and reinvestment of earnings. The long term investment return target is Consumer Price Index (CPI) + 4.75% per annum. Since 1996-97, returns have averaged CPI + 5.1%, exceeding this target, as noted in the 2025-26 Budget Papers.

2.58 Future reductions in the unfunded superannuation liability will depend on favourable market conditions to sustain portfolio growth.

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[1] This long-term financial objective has been consistently communicated in the Superannuation Provision Account's audited financial statements and its Budget Papers

Capital Works Program

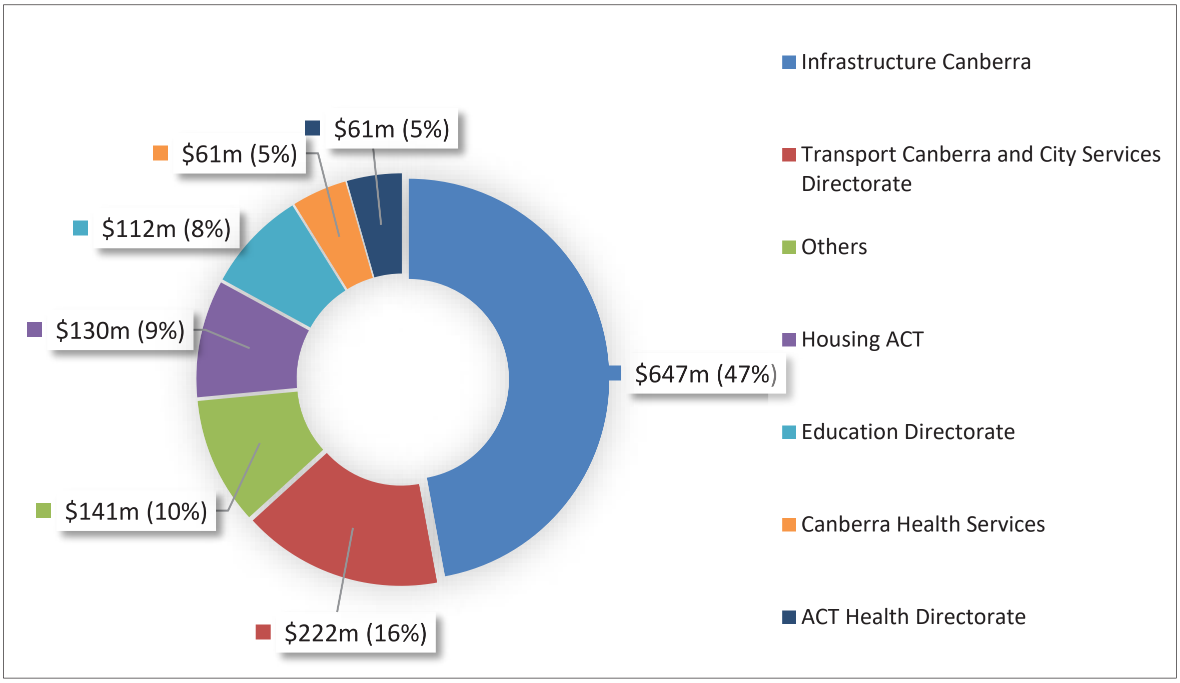
2.59 The Territory's annual capital works program is significant with well over a billion dollars invested annually in public facilities and to support the delivery of public services.

2.60 The Territory's priorities for its 2024-25 capital works program are detailed in the 2024-25 Budget Outlook in chapter 3.7 https://www.treasury.act.gov.au/budget/budget-2024-25/budget-papers.

2.61 Treasury reports on the Territory's progress against delivery of the capital works program quarterly to the Assembly and publishes these reports on its website https://www.treasury.act.gov.au/publications. These reports show the capital works funding available for the year and year to date expenditure for the Territory as a whole and by individual agency.

2.62 The Territory allocates funding across key agencies to support infrastructure development and priority service delivery initiatives. Figure 2-15 illustrates the distribution of this funding by agency in 2024-25.

Figure 2-15 2024-25 Capital Works Funding by Agency



Source: 2024-25 Capital Works Program Progress Report Year-to date 30 June 2025.

2.63 The largest allocations of the capital works funding was provided to Infrastructure Canberra with $647 million or 47 percent, reflecting the strategic reorganisation of responsibility for major capital works projects within the Territory as part of the recent changes to Administrative Arrangements on 8 November 2024. Infrastructure Canberra now oversees the Territory's highest value and highest risk projects.

2.64 Under these new arrangements, Infrastructure Canberra will have responsibility for the delivery of all Tier 1 and Tier 2 infrastructure projects previously delivered by other directorates. As defined under the ACT Capital Framework:

- Tier 1 projects have a capital value greater than $100 million or have a capital value greater than $25 million and are considered high risk; and
- Tier 2 projects have a capital value between $25 million and $100 million or have a capital value less than $25 million but have a high-risk rating.

2.65 The year-to-date 30 June 2025 Capital Works Program Progress Report indicates that overall the Territory's actual expenditure on capital works for the 2024-25 period was largely in line with expectations with $1.26 billion or 92 percent of the allocated funding spent.

2.66 An appendix to the progress report provides the details on a project by project basis for projects with a budgeted value of $10 million or more. While it includes reporting of a revised project value and expenditure to date for each project it does not include an initial project budget or an expected completion date.

2.67 Furthermore, own-source revenue contributions by some of the agencies towards capital works are not separately identified and disclosed. This reduces visibility over the funding sources for capital works projects and the extent of agency contributions relative to capital appropriations.

2.68 While agencies report progress on their capital works in their annual reports, the centralised progress report provided to the Assembly by Treasury lacks detail on initial project budgets, own source revenue contributions used by agencies to fund their capital works and expected completion dates. Including this information would make it easier for the Assembly to more readily assess whether the Territory's most significant capital works project are being delivered within budget and on time.

2.69 Chapter 3 of the most recently published progress report highlighted future reports will include more detailed reporting on milestone progress integrated with expenditure for significant projects.

3 Net Cost of Services

3.1 This chapter presents information on the net cost of services for ACT Government (Government) Directorates in 2024-25.

3.2 The net cost of services is the difference between total expenses and revenue generated by a Directorate. The net cost of services shows the extent of a Directorate's reliance on the Government to fund its operations.

3.3 Where a Directorate exceeds its budgeted net cost of services, it means the Government may need to provide it with additional funding during the year.

3.4 As the Government is currently incurring operating deficits, it may need to increase its borrowings, raise taxes or divert money away from the delivery of other priorities to fund these additional expenses. Therefore, prudent budget management by Directorates is crucial to a long-term financially sustainable Government.

3.5 The Government uses the following three types of appropriations to fund Directorates:

- Controlled Recurrent Payments: funding allocated to Directorates to enable them to perform their core functions and provide services to the community;
- Payments for Expenses on Behalf of the Territory: funding provided to Directorates to make payments on behalf of the Government mainly for grants and subsidies to non-government organisations; and
- Capital Injections: funding provided to Directorates to increase their capital base which may be used to purchase or develop assets and/or reduce liabilities.

3.6 The Net cost of services is funded by Controlled Recurrent Payments. Directorates need to use this funding to efficiently and effectively deliver their core functions.

Significant Observations

The total amount by which Directorates exceeded their net cost of services in 2024-25 was $355 million. More than seventy percent of this overrun was from the Transport Canberra and City Services Directorate ($133 million) and the ACT Health Directorate ($126 million).

The Government provided an additional $102 million in Controlled Recurrent Payments funding to these Directorates in 2024-25 through the mid-year supplementary budget. The ACT Health Directorate received more than half of this funding.

3.7 Table 3-1 shows the budgeted and actual net cost of services and Controlled Recurrent Payments in 2024-25 for Directorates that significantly exceeded their budgeted net cost of services.

Table 3-1 Analysis against the original budget

Directorate	NCOS Original Budget 2025	NCOS Actual 2025	(Higher)/Lower than Original Budget		CRP Original Budget 2025	CRP Actual 2025	(Higher)/Lower than Original Budget	
	$m	$m	$m	%	$m	$m	$m	%
Transport Canberra and City Services	(653)	(786)	(133)	(20)	539	559	(21)	(4)
ACT Health	(384)	(510)	(126)	(33)	343	398	(55)	(16)
Community Services	(286)	(324)	(38)	(13)	282	308	(26)	(9)
Education	(1 144)	(1 180)	(36)	(3)	1 047	1 038	9	1
Justice and Community Safety	(508)	(530)	(22)	(4)	461	459	2	0
Total			**(355)**				**(102)**[1]	

Source: 2024-25 budget papers and audited financial statements.

Note 1: Only CRP higher than original budget has been included in this total.

3.8 The main reasons for these Directorates exceeding their budgeted net cost of services and being provided additional Controlled Recurrent Payments through mid-year supplementary budget funding are discussed below.

Transport Canberra and City Services Directorate

3.9 The Transport Canberra and City Services Directorate is responsible for the municipal services and public transport planning functions. The Directorate undertakes planning, building and maintenance of infrastructure assets such as roads, bridges and parks. It also operates capital linen services, ACT NoWaste, domestic animal services and Yarralumla Nursery.

3.10 The Directorate's net cost of services ($786 million) exceeded the budgeted net cost of services ($653 million) by $133 million in 2024-25. This was mainly a result of:

- a one-off transfer of Woden Bus Depot assets of approximately $55 million to Transport Canberra Operations;
- higher depreciation ($33 million) due to a revaluation increment in the value of fixed assets;
- expensing of capital works in progress ($16 million) that did not meet the asset recognition criteria; and
- higher than expected employee expenses ($15 million) largely due to higher than forecast staff numbers resulting from a decision by the Government in the mid-year budget review to employ more staff to improve city services including traffic management, road repairs, special events, and other services like mowing and litter removal.

ACT Health Directorate

3.11 The ACT Health Directorate is responsible for the strategic direction of the ACT health system. The Directorate is responsible for administering Government's program on health matters and engages with its partners and stakeholders to ensure better health outcomes in the ACT and surrounding regions.

3.12 The Directorate's net cost of services ($510 million) exceeded the budget amount ($384 million) by $126 million in 2024-25, mainly due to:

- higher grants and purchased services expenses largely resulting from a mid-year budget initiative to fund additional health services; and
- compensation expenses relating to the acquisition of Calvary Public Hospital ($65 million) which were not budgeted for in 2024-25 as settlement negotiations were ongoing and there was significant uncertainty of the amount payable.

3.13 The Directorate received an additional $55 million in Controlled Recurrent Payments funding in the mid-year supplementary budget to provide the additional health services.

Community Services Directorate

3.14 The Community Services 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.

3.15 The Directorate's 2024-25 net cost of services ($324 million) exceeded budget ($286 million) by $38 million primarily due to higher grants and purchased services expenditure particularly from higher costs for providing out-of-home care services, and higher staffing costs.

3.16 Controlled Recurrent Payments ($308 million) exceeded budget ($282 million) by $26 million. Additional funding was provided in the mid-year supplementary budget for out-of-home care services.

Education Directorate

3.17 The Education 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.

3.18 The Directorate's 2024-25 net cost of services ($1 180 million) exceeded budget ($1 144 million) by $36 million primarily due to higher employee expenses from the backfill of essential teaching staff and providing additional student supports.

Justice and Community Safety Directorate

3.19 The Justice and Community Safety Directorate provides courts, corrections, justice, and emergency services and purchases policing services from the Australian Federal Police on behalf of the Territory.

3.20 The Directorate’s 2024-25 net cost of services ($530 million) exceeded budget ($508 million) by $22 million primarily due to:

- higher employee expenses driven by increased staffing and overtime to deliver government priorities and leave provision adjustments; and
- higher supplies and services expenses driven by higher payment to the NSW Telco Authority in relation to increase in costs of Territory wide operational telecommunications network services, higher utilities costs and higher insurance premiums.

4 Results of Icon Water Limited and the ActewAGL Joint Venture

4.1 The Public Non-Financial Corporations (PNFC) Sector delivers essential services to the community while operating on a commercial basis. Among the most significant of these entities is Icon Water Limited (Icon Water) with its 50 percent interest in the ActewAGL Joint Venture (ActewAGL), which together manage the ACT's water, sewerage, electricity, and gas networks. Their financial performance, through operating profits, dividends to the Territory, and infrastructure investment, directly influences the Territory's budget position and long-term financial sustainability. Therefore, this chapter discusses the key financial results of these entities.

4.2 Icon Water is established and governed by the *Territory Owned Corporations Act 1990* and ActewAGL by the *ACTEW/AGL Partnership Facilitation Act 2000*.

Icon Water Limited

4.3 Icon Water owns and operates the ACT's water and sewage networks. This includes dams, treatment plants, pumping stations, reservoirs, mains and related infrastructure.

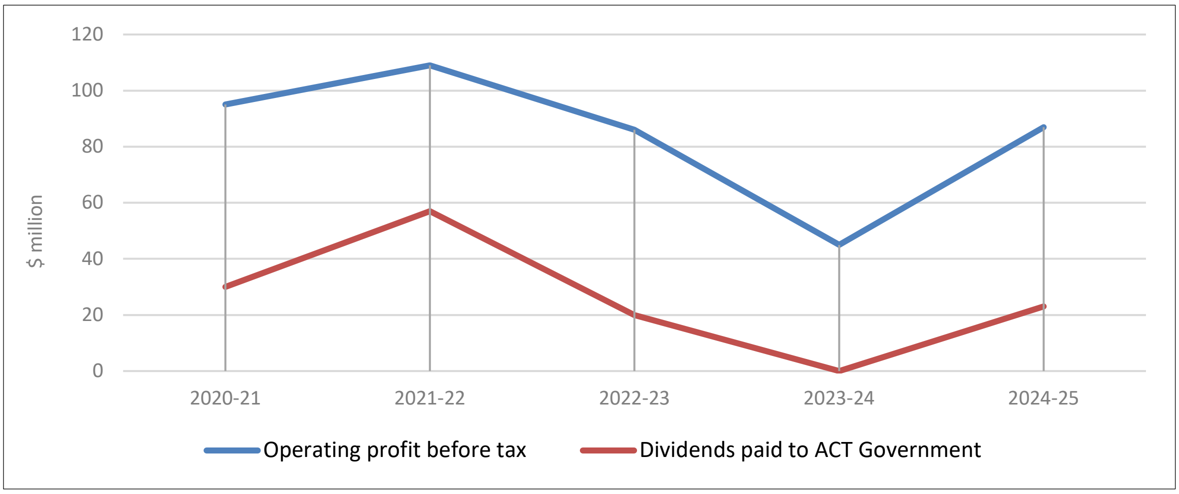
4.4 Icon Water also holds the Territory's 50 percent share in the ActewAGL Joint Venture (ActewAGL) which owns and operates the ACT's energy distribution networks and retail services.

Table 4-1 Key Financial Results

	2020-21 $m	2021-22 $m	2022-23 $m	2023-24 $m	2024-25 $m
Operating profit before tax	95	109	86	45	87
Dividends paid to ACT Government	30	57	20	0	23
Net short-term assets/(liabilities)	49	41	(36)	94	(72)

Source: Audited financial statements.

Figure 4-1 Operating Profit and Dividends Over Time

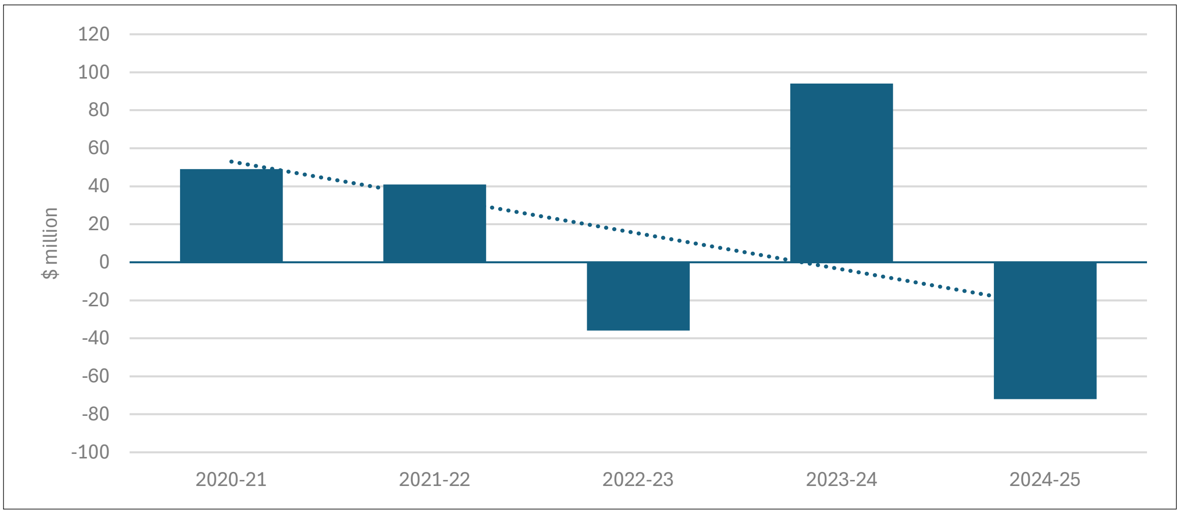


Source: Audited financial statements.

4.5 Icon Water's profit from operations before tax significantly decreased from $109 million to $45 million in the period from 2021-22 to 2023-24. This has mainly been due to higher costs on IT projects relating to the corporate services transition from ActewAGL and higher CPI-linked interest costs. Profit has improved in 2024-25, however, this was largely due to an increase in the profit received from ActewAGL.

4.6 The amount of dividends paid to ACT Government are based on the operating profit after tax, excluding gifted asset revenue. An exemption for paying a dividend was granted by the ACT Government in 2023-24 due to the lower profit received from ActewAGL because of the volatility in their profit from the Large-scale Feed-in Tariff (LFiT) Scheme.

Figure 4-2 Net Short Term Assets/(Liabilities)



Source: Audited financial statements.

4.7 In 2022-23 and 2024-25, Icon Water's short term liabilities exceeded short term assets by $36 million and $72 million respectively. This was because long term borrowing facilities were due to expire within 12 months from the reporting date. However, on each occasion Icon Water had arrangements in place with the ACT Government to renew these facilities. Therefore, it was assessed that Icon Water would be able to meet its current liabilities as and when they fall due over the next 12 months.

4.8 Icon Water's audited financial statements can be found in their 2024-25 Annual Report at https://www.iconwater.com.au/Media-Centre/Reports-and-Publications/Annual-Reports.

ActewAGL Joint Venture

4.9 The ActewAGL Joint Venture (ActewAGL) owns and operates the electricity and gas networks in the ACT and surrounding regions.

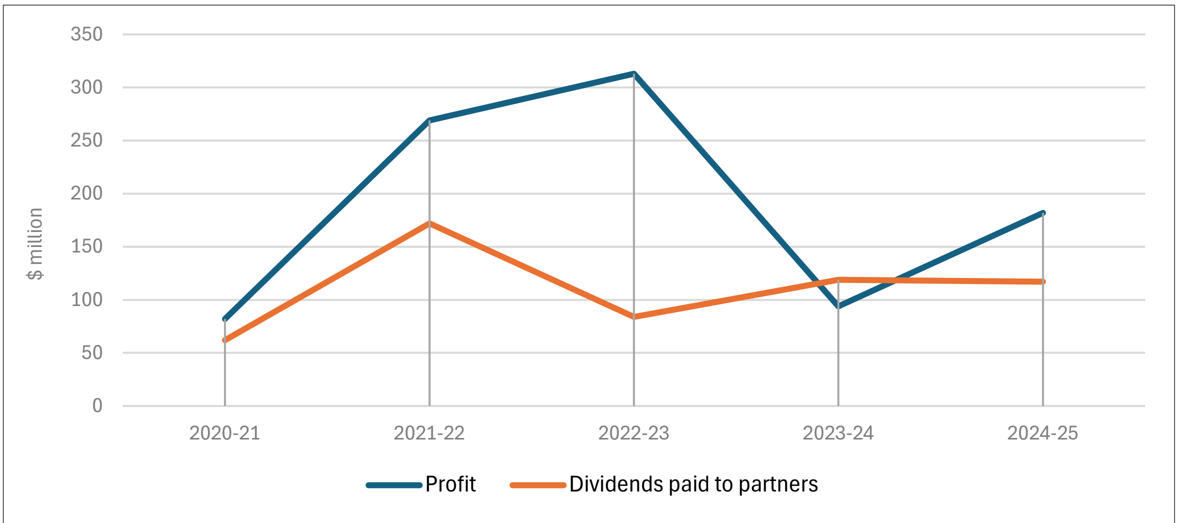
4.10 The Territory has a 50 percent interest in the ActewAGL Joint Venture which is held by Icon Water Limited.

Table 4-2 Key Financial Results

	2020-21 $m	2021-22 $m	2022-23 $m	2023-24 $m	2024-25 $m
Operating profit	82	269	313	94	182
Dividends paid to partners	62	172	84	119	117
Net short term assets	62	117	266	147	141

Source: Audited financial statements.

Figure 4-3 Operating Profit and Dividends Over Time

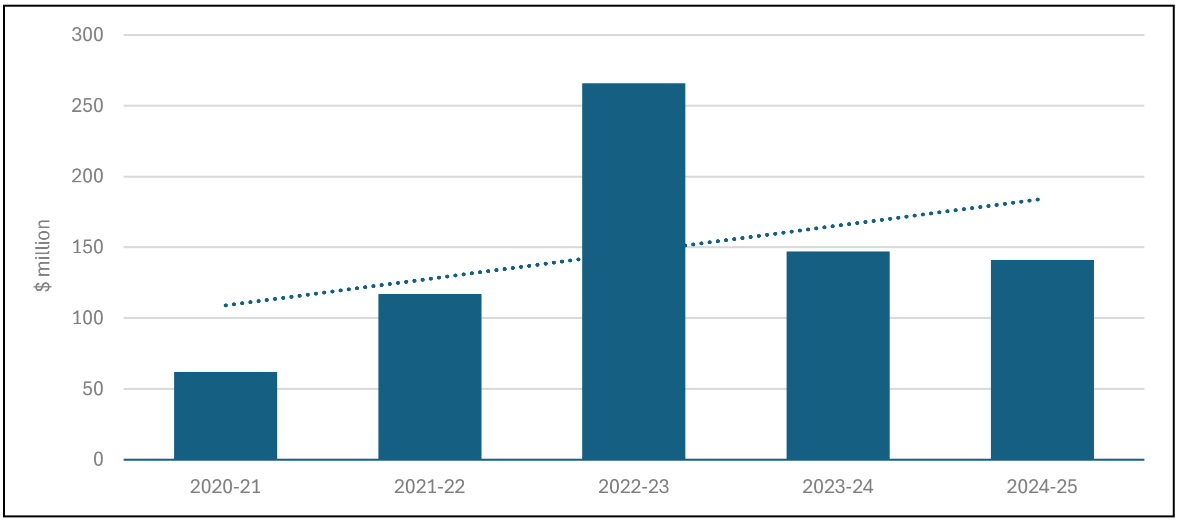


Source: Audited financial statements

4.11 ActewAGL's profits from operations have fluctuated over the past five financial years primarily due to the financial impact of the Large-scale Feed-in Tariff (LFiT) Scheme which they administer on behalf of the ACT Government.

4.12 Despite the fluctuations in operating profit, dividends have remained relatively stable over this period.

Figure 4-4 Net Short Term Assets



4.13 ActewAGL continues to maintain a healthy short term net asset position, indicating a strong ability to meet its short term commitments as they fall due.

4.14 ActewAGL Joint Venture's audited summary financial report can be found in Icon Water's 2024-25 Annual Report at https://www.iconwater.com.au/Media-Centre/Reports-and-Publications/Annual-Reports.

5 Key Accountability Indicators

5.1 Annual Budget Statements present information on outcomes and outputs that represent what the ACT Government directorates and territory authorities are held accountable for. This information is presented as ‘Strategic Indicators’ and ‘Accountability Indicators’.

5.2 Strategic indicators measure performance against longer term strategic outcomes impacting the ACT community. Under the financial management guidelines[2], strategic indicators are not subject to examination by the Audit Office.

5.3 Accountability indicators measure performance in delivering the outputs funded by the ACT Government. Accountability indicators are subject to examination by the Audit Office.

5.4 A statement of performance shows the results of a reporting entity’s accountability indicators against the related performance targets. The Audit Office performs a limited assurance engagement on agency statements of performance. The work performed in a limited assurance engagement is substantially less than that performed in an audit of financial statements and therefore a lower level of assurance is provided.

5.5 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.

5.6 In February 2020, the Chief Minister, Treasury and Economic Development Directorate issued ‘FAP 2 Strengthening Performance and Accountability: A Framework for the ACT Government’ (FAP 2) to assist agencies in understanding their obligations for performance reporting which is available at https://www.treasury.act.gov.au/accounting.

5.7 While FAP 2 provides a detailed explanation of the framework for performance reporting it does not provide a template or ‘model statement of performance’ for agencies to use as an example to prepare their statement of performance. The lack of template can lead to errors and inconsistencies in reporting by agencies across the Territory, particularly when indicators are changed or transferred between agencies during the reporting period.

5.8 A total of 30 ACT Government directorates and territory authorities prepared statements of performance for the 2024-25 financial year.

5.9 This chapter discusses selected accountability indicators on the basis that they have a significant impact on the community. Targets and results reported are from reviewed statements of performance of relevant agencies over four years from 2021-22 to 2024-25.

[2] *Financial Management (Statement of Performance Scrutiny) Guidelines 2019.*

Significant Observations

Canberra Health Services - The percentage of ACT elective surgery patients admitted for surgery within clinical recommended timeframes for all three waiting list categories are below target.

Community Services Directorate - The number of days children and youth are in custody has consistently been higher than the target in the last three years.

Suburban Land Agency - The actual number of residential dwellings released were less than planned over the last four years with the result being 24 percent below the target in 2024-25.

Housing ACT - Public housing properties have been consistently allocated to all individuals with high priority needs since 2023-24.

Transport Canberra Operations - Both light rail and buses consistently met the established punctuality targets.

Justice and Community Safety Directorate - Ambulance response times within the last four years have been on average 2 minutes later than the targeted timeframes.

Education Directorate - In the past four years the number of enrolments in preschools has gradually declined and attendance targets for ACT public schools in Years 1-10 have not been met.

The Chief Minister, Treasury and Economic Development Directorate's 'FAP 2 Strengthening Performance and Accountability: A Framework for the ACT Government' (FAP 2) was issued around 5 years ago and has not been updated since.

The framework for performance reporting (FAP 2) does not include a template or 'model statement of performance' that agencies can use as an example to prepare their statement of performance. This can lead to errors and inconsistencies in performance reporting by agencies across the Territory.

Results of Accountability Indicators

5.10 The discussion below details the reporting agency, the output class and accountability indicators selected, and the rationale for their selection.

Reporting Agency / Output Class	Rationale
Canberra Health Services[3] • **Output 1.1 Acute Services**	Waiting times for elective surgeries in the Territory's public health system has been subject to public scrutiny. Three accountability indicators have been selected to assess the extent to which the Territory is meeting elective surgery targets within clinically recommended timeframes by category.

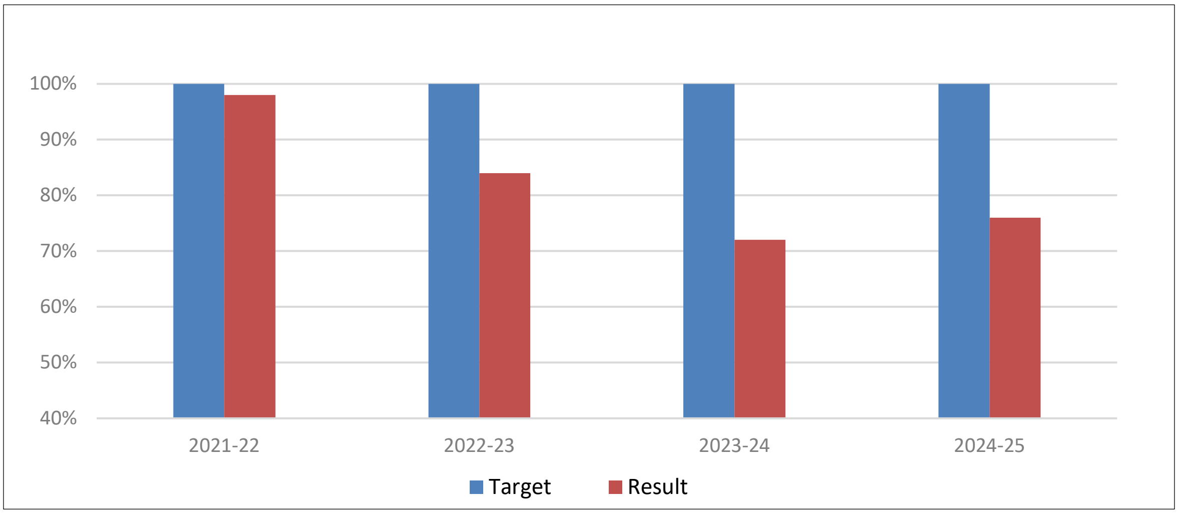
5.11 Inpatient waiting lists for elective surgeries are classified by clinically recommended timeframes described as triage 'categories'.

- Category 1 (urgent) - 30 days is desirable for a condition that has the potential to deteriorate quickly that it may become an emergency.
- Category 2 (semi-urgent) - Admission within 90 days is desirable for a condition causing some pain, dysfunction or disability that is not likely to deteriorate quickly or become an emergency.
- Category 3 (non-urgent) - Admission within 365 days is desirable for a condition causing minimal or no pain, dysfunction, or disability which is not likely to deteriorate quickly, and which does not have the potential to become an emergency.

5.12 Figures 5-1, 5-2 and 5-3 shows the percentage of ACT elective surgeries admitted within clinically recommended timeframes for the three categories respectively over the period from 2021-22 to 2024-25.

[3] In 2023-24, targets and results for elective surgery admission were reported under ACT Local Hospital Network (Output 1.1: ACT Local Hospital Network).

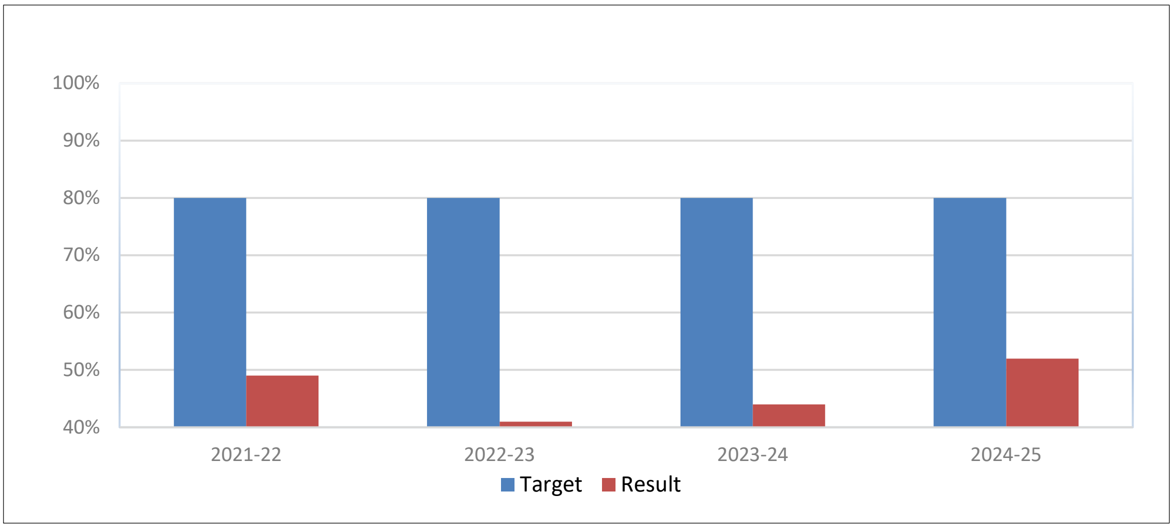
Figure 5-1 Category 1 - Elective surgery patient admitted for surgery within clinically recommended timeframes (30 days)



5.13 The results for Category 1 have consistently fallen below the 100 percent target, despite coming close to the target in 2021-22. In 2024-25, the Directorate disclosed that the lower than expected results were due to:

> 'the number of overdue patients increasing to over 2,000 as a result of COVID-19 disruptions, fire damage and the long period of significant theatre time loss at North Canberra Hospital that followed. The Directorate anticipates that this measure will remain below target until the overdue elective surgery backlog has reduced'.

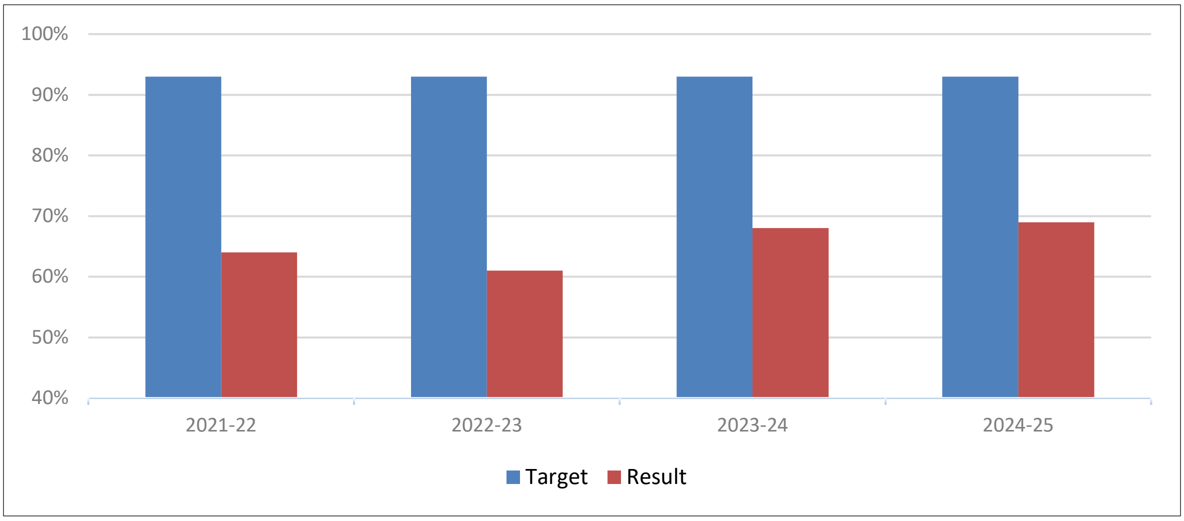
Figure 5-2 Category 2 - Elective surgery patient admitted for surgery within clinically recommended timeframes (90 days)



5.14 The Directorate has consistently recorded significantly lower results over the past four years, with a slight improvement in 2024-25.

5.15 Similar to the Category 1 performance, the Directorate anticipates that the result for this measure will remain below target until the overdue elective surgery backlog has reduced.

Figure 5-3 Category 3 - Elective surgery patient admitted for surgery within clinically recommended timeframes (365 days)



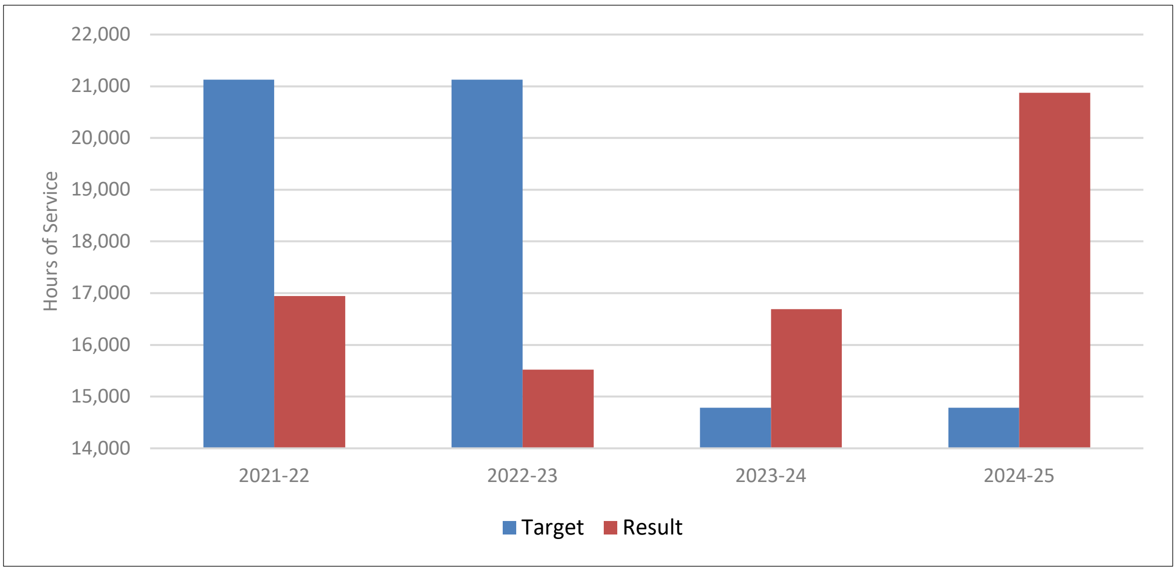
5.16 The Directorate is yet to meet its target admission rate for Category 3 for the past four years and the result is significantly below target.

5.17 Similar to the Category 1 performance discussed previously, the Directorate anticipates that this measure will remain below target until the overdue elective surgery backlog has reduced.

Reporting Agency / Output Class	Rationale
Community Services Directorate • **Output 2.2 Child Development Service** • **Output 2.3 Child and Youth Protection Services**	Provision of statutory child protection and youth justice services is an important mandate to ensure safety and the wellbeing of children, youth and families within the Territory. Five accountability indicators have been selected to assess service volumes in child development, youth justice and child protection.

5.18 Figures 5-4, 5-5, 5-6, 5-7 and 5-8 shows results from selected child and youth justice services.

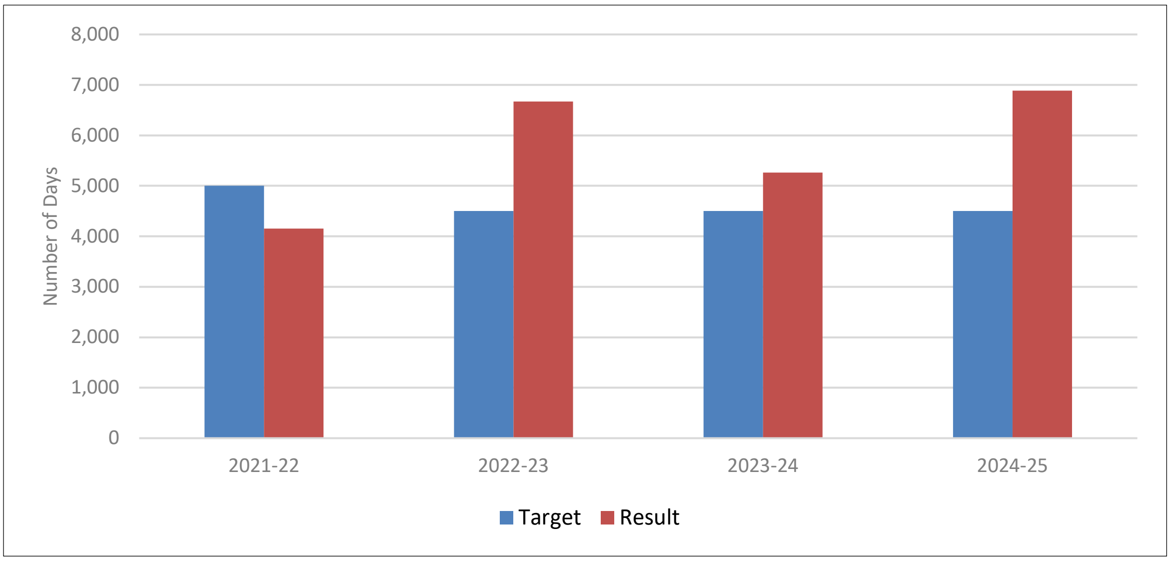
Figure 5-4 Hours of service provided to the clients of the child development service



5.19 The Child Development Service has a focus on early identification and intervention and provides assessment, referral, information and linkages for children from birth to six years living in the Territory, where there are concerns relating to their development.

5.20 The hours of service from child development service declined from 2021-22 to 2022-23 and the target for the indicator was reduced in 2023-24 due to staffing vacancies and the implementation of a new client management system. The Directorate was able to improve its results in 2023-24 and 2024-25 respectively due to increased service capacity from successful recruitment of frontline clinical positions.

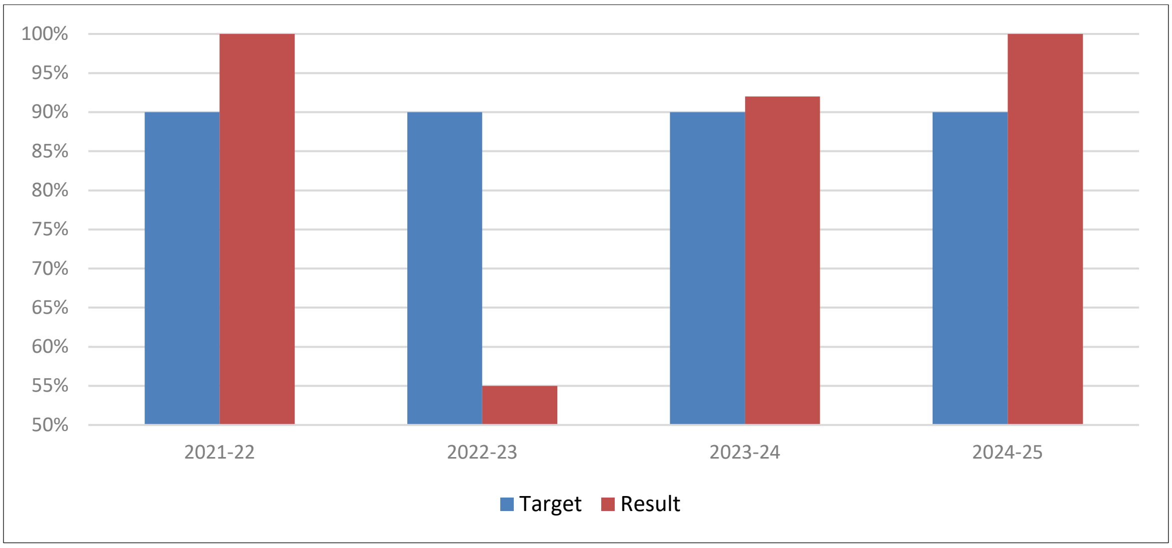
Figure 5-5 Number of custody days used annually



5.21 Provision of statutory child protection and youth justice services is aimed at improving and promoting the safety and the wellbeing of children, young people, their families and the community.

5.22 Number of days children and youth are in custody has consistently been higher than target in the last three years. The Directorate has stated that the increase in custody days is attributed to factors such as rising demand on the justice and police system and the nature and severity of young people's charges resulting in longer periods of remand and sentencing.

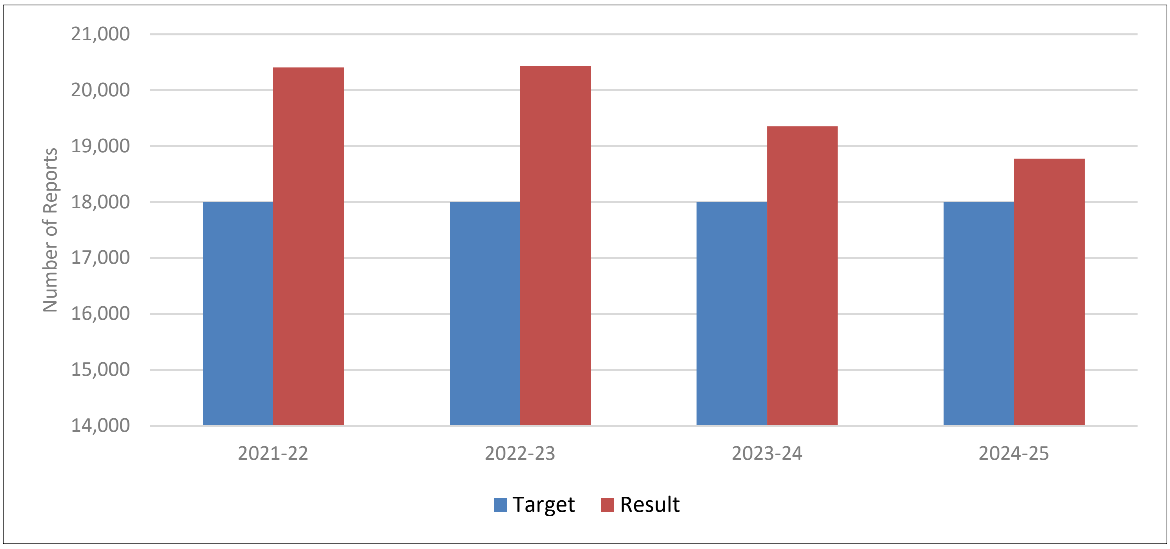
Figure 5-6 Youth justice case plans completed



5.23 This indicator represents the proportion of youth justice case plans prepared or reviewed within six weeks of the start of a supervised sentenced order.

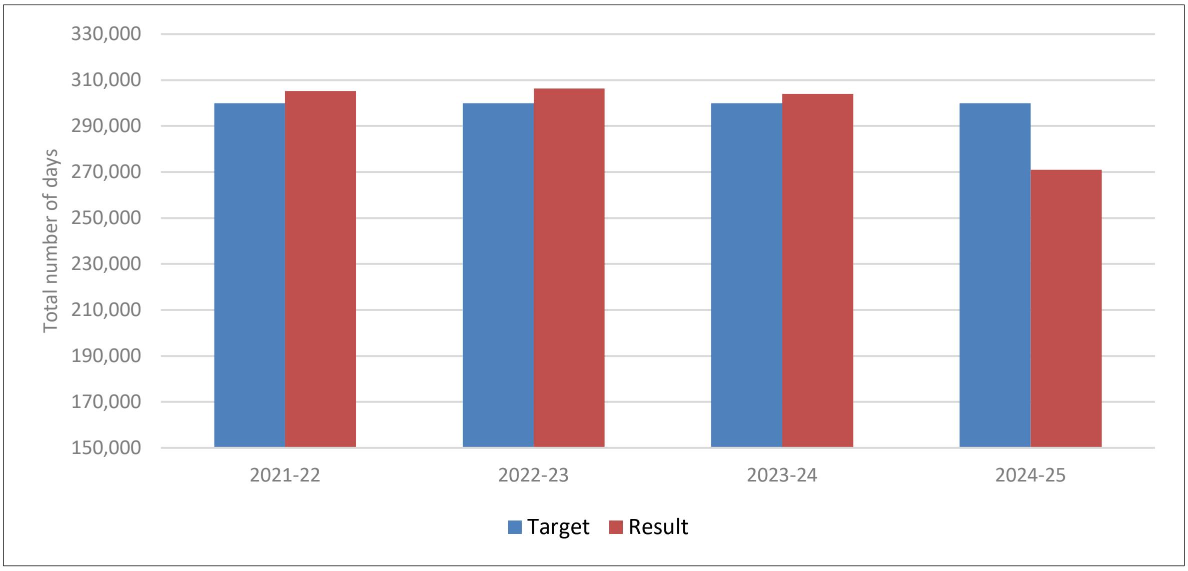
5.24 Results have gradually improved over the years despite being significantly below the target of 90 percent in 2022-23. In 2024-25, all case plans required for young people on supervised sentenced orders were completed within six weeks of the start of a supervised sentenced order.

Figure 5-7 Child protection reports and child concern reports about children and young people



5.25 This indicator assesses how effectively the child protection system identifies and confirms genuine risks to children via reports. The overall number of child protection reports, and child concern reports while gradually declining are exceeding the target of 18 000 reports.

Figure 5-8 Total out-of-home care days used annually



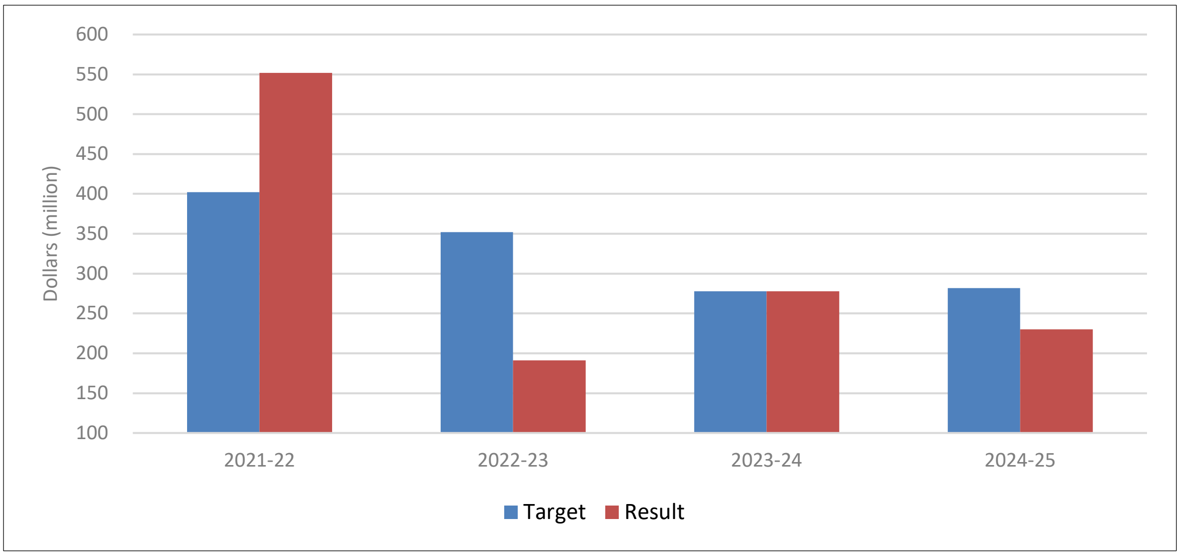
5.26 This indicator measures the number of days for which Child Youth Protection Services made payments for overnight care of children in out-of-home care.

5.27 The overall result shows an improvement compared to the target, reflecting a decrease in the number of children in out-of-home care. The Directorate has reported that the improvement can be attributed to a stronger focus on early support services that enable young people to remain safely at home. For those who do enter care, there is an emphasis on shorter care periods before restoration to their families.

Reporting Agency / Output Class	Rationale
Suburban Land Agency • **Financial Measures** • **Non-Financial - Land Release**	The supply of residential land is fundamental to meeting demand for dwellings, which is also an important source of revenue for the Government. A financial performance indicator related to revenue from contracts with customers was selected to provide an overview of revenue from land sales. A non-financial performance indicator was selected to show progress against the Indicative Land Release Program (ILRP).

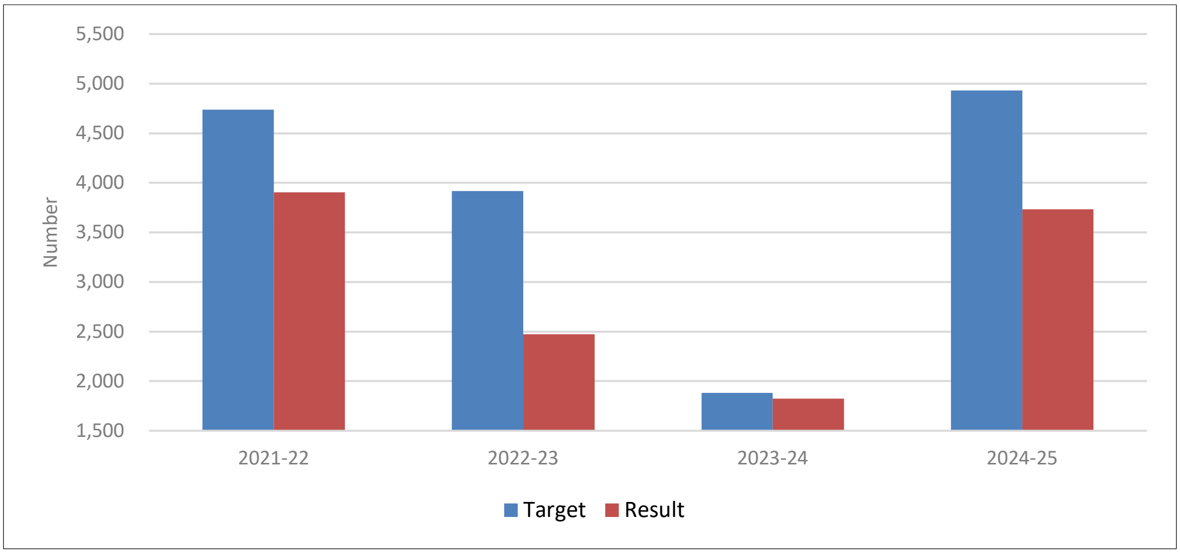
5.28 An estimated 97 percent of Suburban Land Agency's income for the year ended 30 June 2025 ($237 million) was derived from Revenue from Contracts with Customers, comprising revenue from residential and mixed-used, community and other land sales. Most of the land sales are represented by residential land sales.

Figure 5-9 Revenue from contracts with customers



5.29 The agency experienced higher than anticipated results in 2021-22 due to strong market demand for land which led to higher sale volumes and prices. However, the agency met the target in only one of the following three financial years.

Figure 5-10 Meet Indicative Land Release Program (ILRP) obligations (Release) - Residential (# dwellings)



5.30 This indicator measures the numbers of residential dwellings the agency aims to enable under the Indicative Land Release Program.

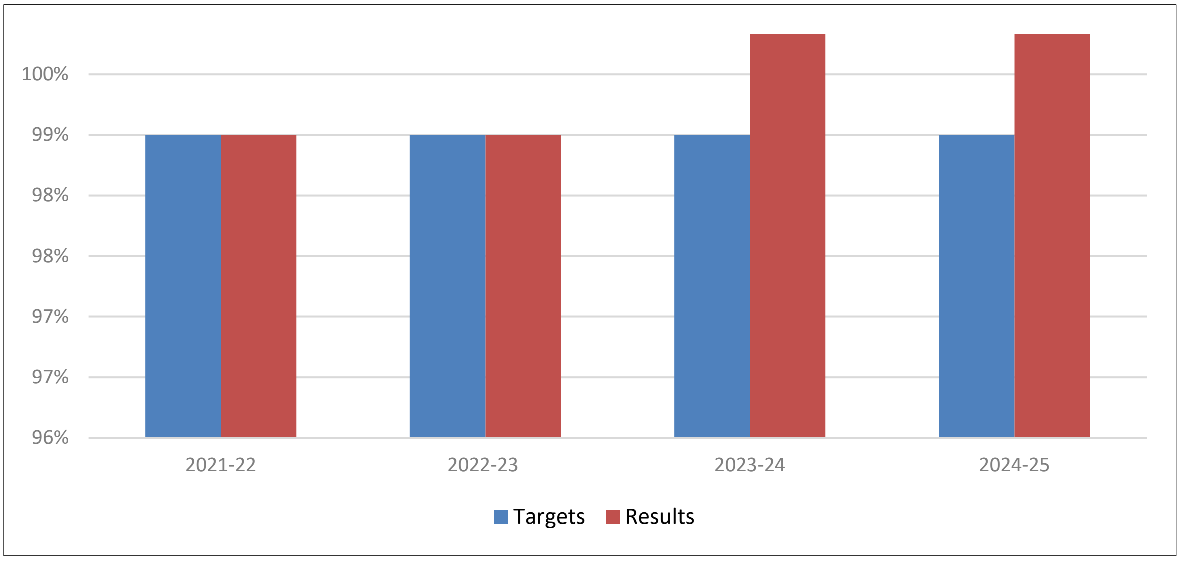
5.31 The planned number of dwellings decreased significantly from 4 737 in 2021-22 to 1 883 in 2023-24. However, the planned number of dwellings were significantly increased in 2024-25, with 4 939 identified for release to the market.

5.32 The actual number of land parcels released was lower than planned over the last four years, with the amount released in 2024-25 being 24 percent below the target.

Reporting Agency / Output Class	Rationale
Housing ACT • **Output 1.1: Social Housing**	The Public Rental Housing Assistance Program is important for providing reasonable access to social housing for those in need. The accountability indicator assesses whether public housing properties have been allocated to all high-priority individuals with complex needs or risk factors.

5.33 Affordable housing applications with the most critical or urgent needs are assigned to the 'Priority Housing or High Needs' housing categories.

Figure 5-11 Allocation of housing to those in greatest need - percentage of public housing applications to priority and high needs applicants

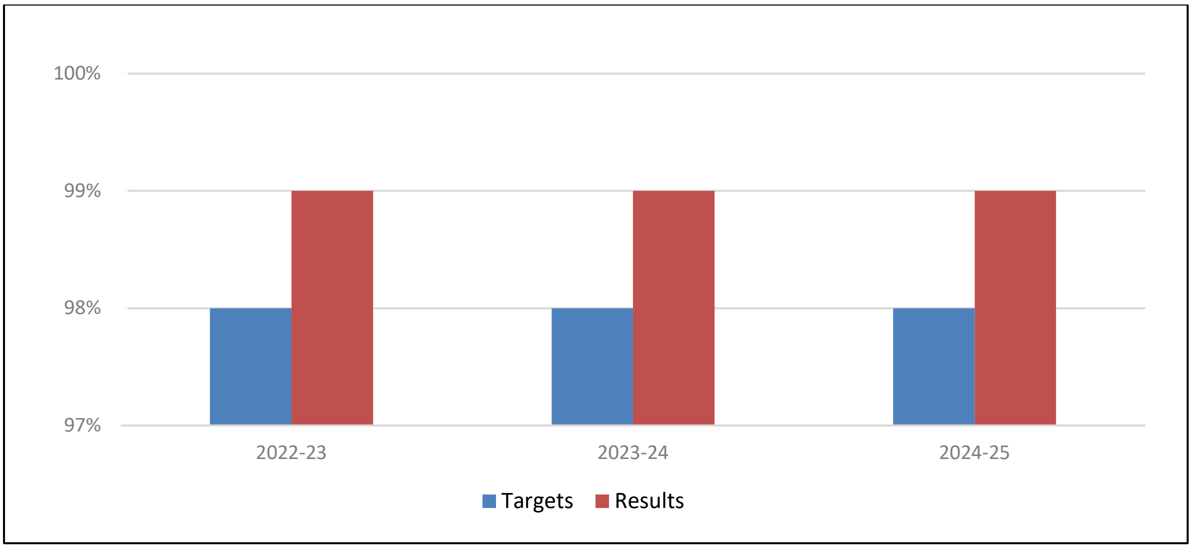


5.34 The results show a gradual improvement in allocating public housing to 'Priority Housing or High Needs' applicants over the years. The agency exceeded its target of 99 percent in both 2023-24 and 2024-25, ensuring that all priority and high-needs applicants were allocated housing.

Reporting Agency / Output Class	Rationale
Transport Canberra Operations • **Output 1.1: Transport Canberra Operations**	A timely and reliable public transport network, including light rail and bus services within the Territory, is essential for providing regular route services across Canberra's suburbs. Two accountability indicators have been selected to assess the on-time delivery of light rail and bus services across the Territory.

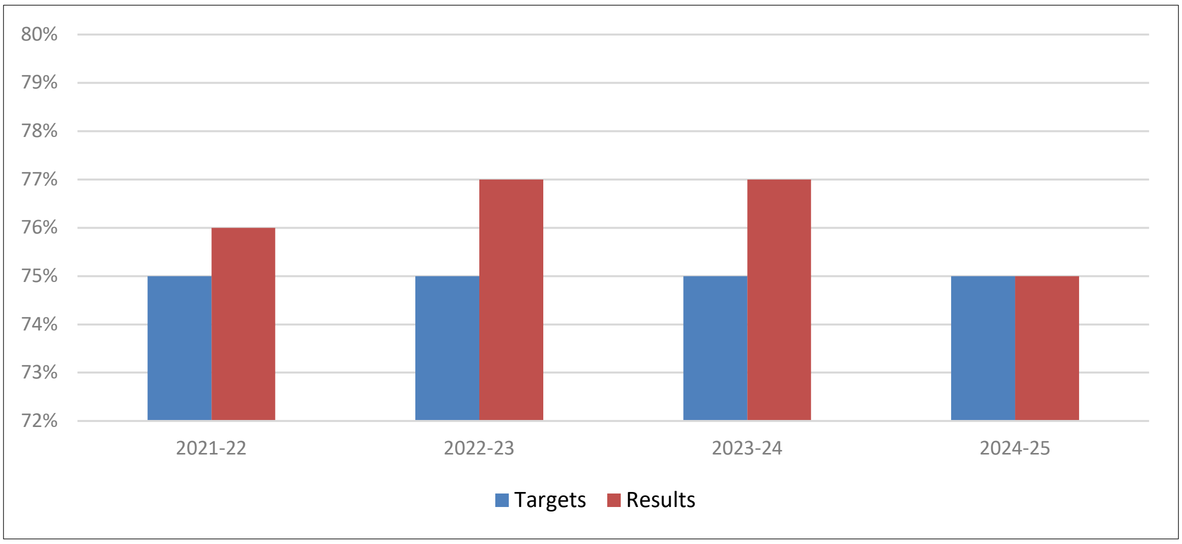
5.35 Light rail punctuality relates to the on-time running of the light rail services. On the other hand, bus service punctuality relates to a bus service departing a stop at a designated timing point between one minute earlier and four minutes later than the scheduled time.

Figure 5-12 Light rail service punctuality



5.36 The Directorate introduced the 'punctuality of light rail services' as an accountability indicator in 2022-23. Since first reporting, the Directorate has maintained the same target of 98 percent and consistently achieved 99 percent results over the past 3 years.

Figure 5-13 Bus punctuality



5.37 While Buses have a lower punctuality target rate than light rail, the Directorate has consistently met or exceeded its targets every year.

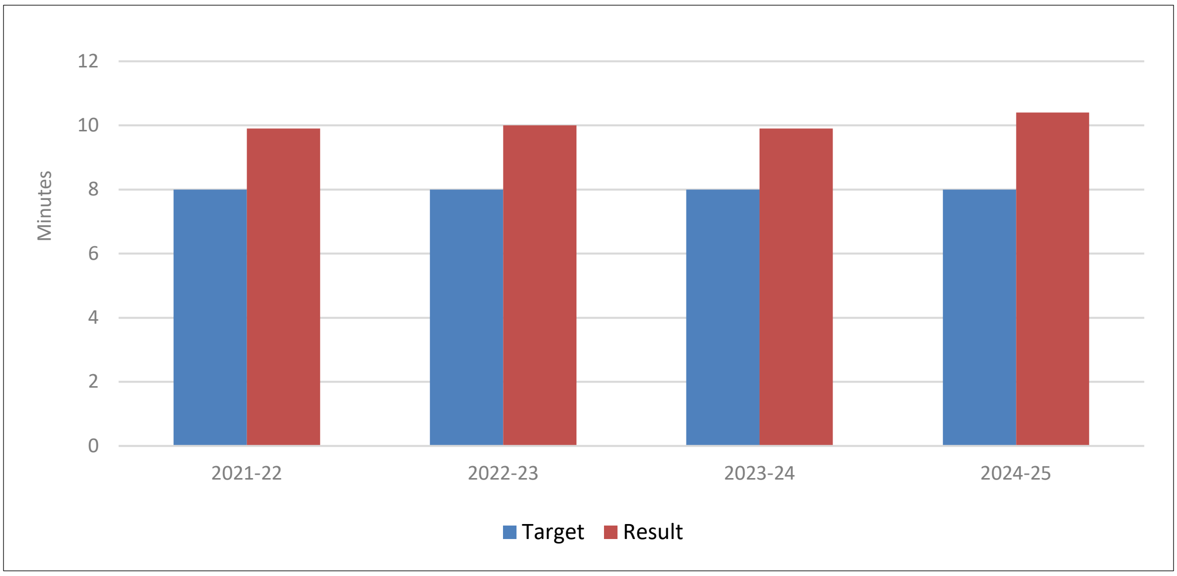
Reporting Agency / Output Class	Rationale
Justice and Community Services Directorate • **Output 4.1: Emergency Services**	Timeliness of ambulance response to priority needs is a key indicator of emergency care quality and system efficiency in the Territory. Two accountability indicators have been selected to assess the timeliness of ambulance responses to priority needs.

5.38 Ambulance responses to priority 1 incidents (requiring at least one immediate response under lights and sirens), measured from the time of recording details of the incident at the ambulance communications centre to the time the first ambulance service response arrives at the incident scene.

5.39 Response times are reported in two categories:

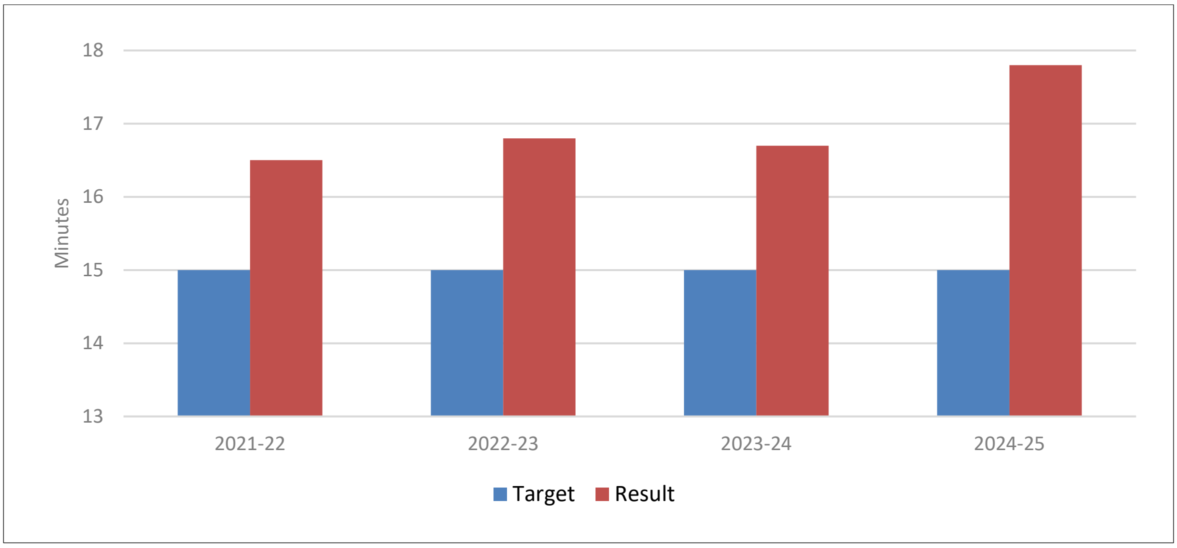
- Incident Responses Time 50th Percentile (minutes) - time taken for the first ambulance vehicle to arrive on scene on 50 percent of occasions; and
- Incident Response Time 90th Percentile (minutes) - time taken for the first ambulance vehicle to arrive on scene on 90 percent of occasions.

Figure 5-14 Incident response time 50th percentile (minutes)



5.40 The results show that in the last four years, the median time for an ambulance to arrive was around 10 minutes, compared to the target of 8 minutes. The Directorate reported that this reflects increased demand for ambulance services within the Territory.

Figure 5-15 Incident response time 90th percentile (minutes)



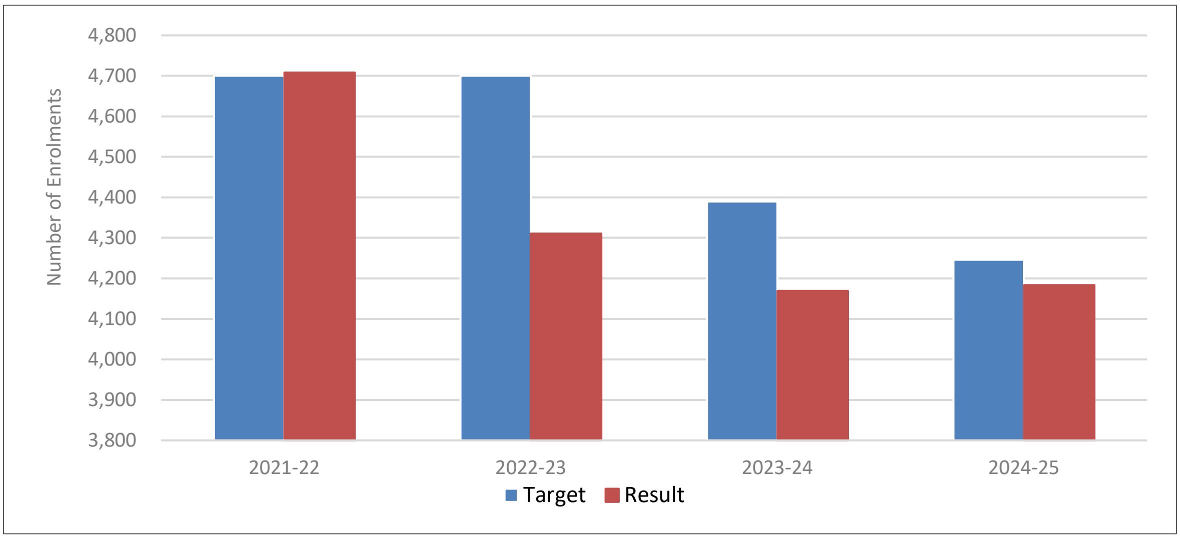
5.41 This measure looks at how long it takes for an ambulance to arrive in almost all cases (90 out of 100 times). The Directorate has set a target of 15 minutes for this indicator, where ambulances have usually taken about 2 minutes longer to arrive during the last four-year period.

5.42 Similar to incident response times within the 50th percentile, the Directorate reported that this reflects increased demand for ambulance services within the Territory.

Reporting Agency / Output Class	Rationale
Education Directorate • **Output Class 1: Public School Education**	The 'future of education' strategy highlights a vision for schools within the Territory be more equitable, accessible, inclusive and enabling of student agency. Three accountability indicators have been selected to assess student enrolment, attendance, and progression in the Territory's public education system.

5.43 The Education Directorate's February 2025 census[4] reported that over 83 000 students were enrolled in ACT public and non-government schools from preschool to Year 12. However, the Directorate's Statement of Performance does not include information on enrolments in ACT public schools, other than the enrolment numbers for preschools as discussed below.

Figure 5-16 Number of enrolments in preschool in public school education

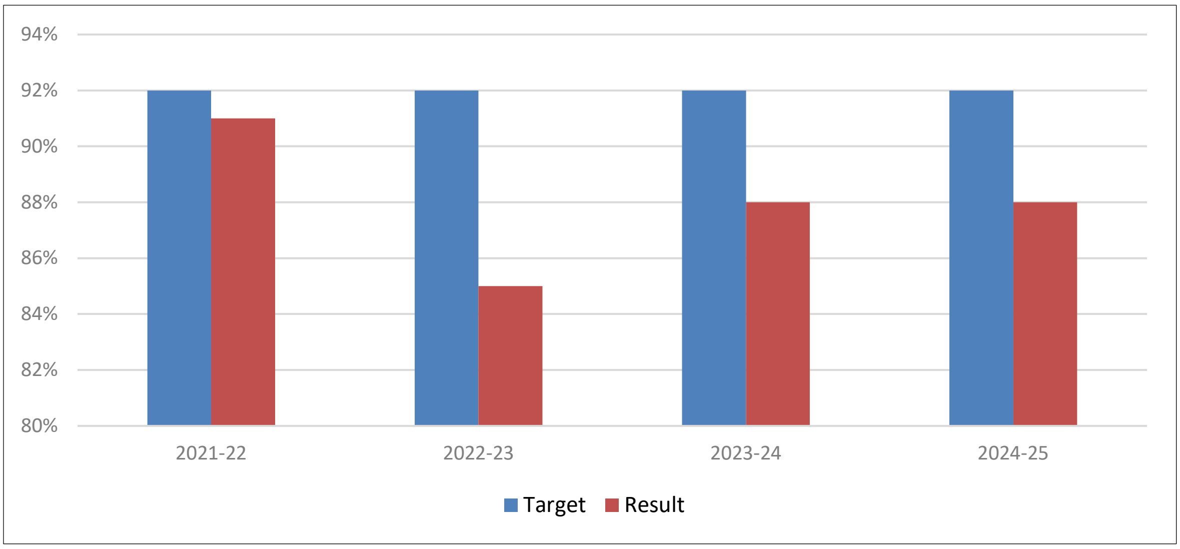


5.44 The number of enrolments in preschools has gradually declined in the past four years and was generally lower than the target enrolments.

5.45 The Directorate believes that the overall reduction in preschool numbers is strongly related to a reduction in the number of eligible children, rather than significant changes in participation. Additionally, preschool enrolment is not compulsory and is subject to parental choice.

[4] Census of ACT Schools February 2025 (ACT Education Directorate)

Figure 5-17 Attendance rate of public-school students in year 1 to 10



5.46 Attendance targets for ACT public schools in Years 1-10 have not been met over the past four years, with results in 2022-23 falling significantly below expectations.

5.47 The Directorate reported that this decline was observed nationally, with student attendance heavily affected by COVID-19 and severe influenza outbreaks. Although attendance improved slightly in 2023-24 and 2024-25, the results remain below the target.

Figure 5-18 Percentage of year 10 students who proceed to public secondary college education

5.48 The target of 92 percent for Year 10 students progressing to Senior Secondary College in the public school system has generally been met, except in 2022-23, when the result was 91 percent.

6 Significant Audit Findings

6.1 This chapter provides information on audit findings identified during the audit of agencies' financial statements and the limited assurance review on their statements of performance.

6.2 Audit findings are matters identified during an audit that indicate weaknesses, deficiencies, or areas for improvement in an agency's governance, internal controls, information systems, or financial reporting. These findings may also highlight non - compliance with legislation, policies, or internal procedures, and risks to the effectiveness or integrity of public service delivery.

6.3 The Audit Office reports audit findings in an audit management report to those charged with the 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 and the Ministers responsible for the agency.

Significant Observations

The number of outstanding audit findings reduced from 92 in the prior year to 75 in 2024–25, reflecting progress in agencies efforts to address audit recommendations. Fourty of these findings relate to prior years highlighting that further attention is required to fully address more complex or recurring issues in a timely manner.

Audit findings on governance matters have increased with 7 new findings. This highlights the need for agencies to reinforce accountability mechanisms and ensure that control frameworks are applied consistently across operations.

Agencies should further improve their quality assurance practices in preparing financial statements, statement of performance and related working papers to support a robust and timely audit process.

The Audit Office has observed audit findings across agencies that reflect deficiencies that are of similar nature and account for over half of the findings, with a high proportion relating to IT controls such as user access management and monitoring controls, system security and information security documentation.

Overview

18%	40%	62%	8
fewer audit findings than last year	of new audit findings relate to IT control weaknesses	of audit findings cover similar issues over multiple agencies	audit findings carried forward were reported before 2020-21

6.4 The status of the audit findings for 2023-24 and 2024-25 is shown in Table 6-1.

Table 6-1 Status of audit findings

Year	Previously Reported	Resolved	Partially/Not Resolved	New Findings	Balance
2023-24	62	(36)	26	66	**92**
2024-25	92	(52)	40	35	**75**

6.5 The number of outstanding audit findings reduced from 92 in the prior year to 75 in 2024-25, reflecting progress in agencies efforts to address audit recommendations. Of the 75 audit findings outstanding at 30 June 2025, 40 audit findings remain either partially or not resolved, highlighting that while significant progress has been made, further attention is required to fully address more complex or recurring issues. Continued monitoring and timely implementation of agreed actions will be essential to progressively reduce the number of outstanding findings and further enhance the control environment within agencies.

6.6 The number of new audit findings decreased from 66 to 35, however, the large number of audit findings in 2023-24 resulted mainly from a higher number of IT applications that were reviewed during the financial audits.

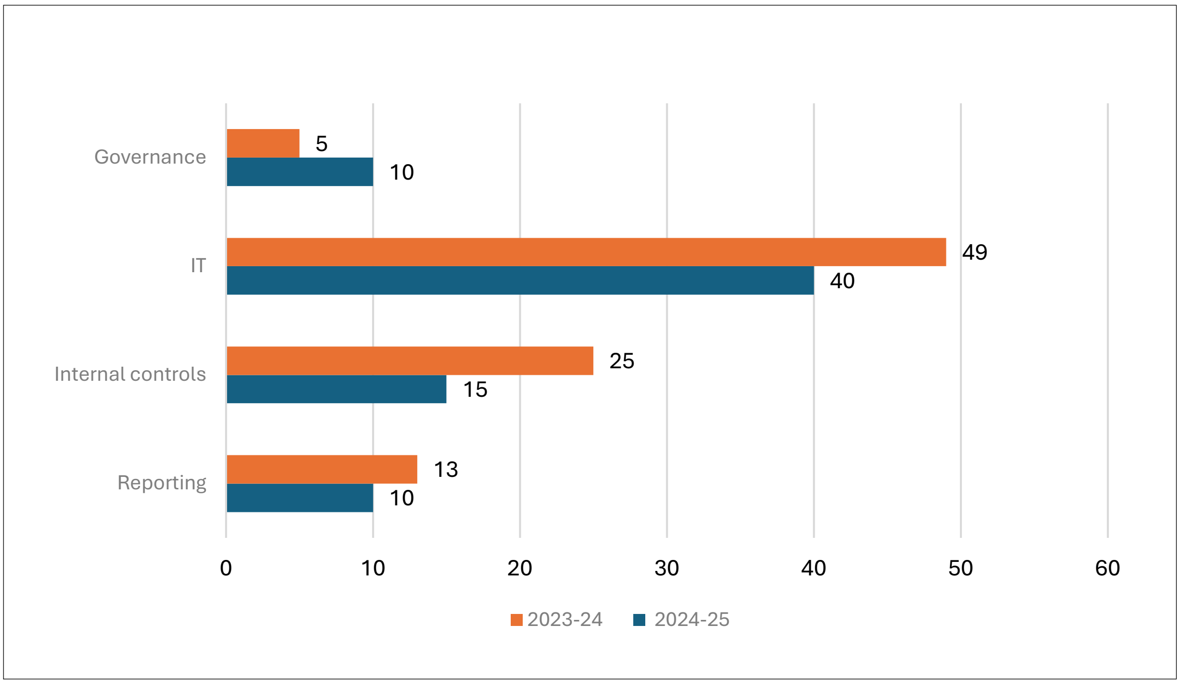
6.7 The number of issues resolved during the year increased (52 findings), demonstrating improved compliance and controls processes, more effective follow-up and implementation of corrective actions particularly in the IT controls category.

6.8 A total of 8 audit findings currently remain which were first reported between 2013-14 and 2019-20 financial reporting periods. These findings relate to deficiencies in IT controls, usefulness of accountability indicators in the statement of performance and outdated policies and procedures. While progress has been made on these findings, the recommended actions have not been fully addressed.

Key Themes and Observations

6.9 Figure 6-1 highlights the spread of audit findings across four key categories. The distribution of audit findings across reporting areas shows a notable proportion relates to IT systems.

Figure 6-1 Audit findings by category



Source: The chart presents the distribution of audit findings by category for 2024-25 against 2023-24.

Governance

6.10 Governance forms a critical component of entity-level controls and sets the "tone at the top" which cascades into day-to-day operations through policies, procedures, and risk management frameworks.

6.11 Governance-related findings account for 10 issues, representing 13 percent of the total outstanding audit findings, with 7 new findings raised in the current year. This increase highlights emerging risks, particularly in policy implementation and risk management practices. The growth in governance findings reinforces the need for agencies to maintain robust accountability structures and effective monitoring mechanisms.

6.12 Governance forms a critical component of entity-level controls and sets the "tone at the top" which cascades into day-to-day operations through policies, procedures, and risk management frameworks. Key observations from these audit findings include:

- **perceived conflicts of interest for appointments to key risk management roles** - such as the Head of Internal Audit or the Senior Executive Responsible for Business Integrity Risk where individuals are also responsible for financial management and reporting or leadership within the entity. This creates a conflict of interest and/or diminishes the objectivity required to adequately assess risks. These roles are essential elements of the governance framework, providing independent assurance to Chief Executive Officers and Directors-General on the effectiveness of governance, risk management, and internal controls.

- **key governance documents and policies were not current or did not exist** – instances were observed where:
  - key governance documents, including business continuity plans, disaster recovery plans, and fraud and corruption control plans, had not been reviewed for more than five years; and
  - policies and procedures relating to accounts receivable recoveries, capitalisation of employee costs, and inter-agency cost recovery arrangements were not formally documented.

6.13 Where key governance documentation, policies and procedures are not current or formally documented there is a higher likelihood that key requirements will be inconsistently or inadequately applied increasing the risk of errors, irregularities, and fraud.

Information Technology

6.14 As part of the annual financial audits of ACT Government agencies, the Audit Office reviews IT controls over computer information systems that support the accuracy, completeness, and reliability of information reported in the financial statements.

6.15 This includes key finance, payroll and accounts payable systems, major revenue systems for taxes, fees and fines, and other agency systems supporting functions like transport fares, public housing, long service leave, school administration and healthcare billing.

6.16 Overall, the Audit Office assessed these controls as satisfactory for the purpose of issuing the auditor’s reports on ACT Government agencies’ financial statements, meaning they provide reasonable assurance that the financial information produced by these systems is reliable, accurate, and complete. However, there are IT control weaknesses that need to be addressed to further reduce the risk of errors and fraud in financial information, unauthorised access to sensitive data, and cybersecurity attacks.

6.17 Forty audit findings relate to IT control weaknesses, representing 53 percent of the total outstanding audit findings, with 14 new findings raised in the current year. Twenty-seven of the 40 reported IT control weaknesses, or 68 percent, relate to information security controls, which safeguard information systems by preventing, detecting or minimising the risk of inappropriate access to systems and data.

6.18 The Audit Office has observed audit findings across agencies that reflect deficiencies that are of similar nature such as user access management (8 findings), monitoring controls (8 findings) and system security and information security documentation (10 findings). Key observations from theses audit findings include:

- **lack of current system security documentation** - security plans and process documents were not developed, appropriately approved, properly followed or maintained. This increases the risk that plans, policies and procedures become ineffective and that resources are directed toward outdated or less effective cyber security measures.

- **inadequate user access management and termination** - regular user access reviews were not always performed, and access for departing staff was not always removed in a timely manner. User access management controls were also not always documented, including procedures for granting, maintaining, and terminating access. When user activity, particularly privileged users and vendors, is not regularly monitored and reviewed, there is a higher risk of inappropriate or fraudulent changes to systems and their data going undetected and not being promptly addressed.
- **lack of effective monitoring and logging mechanisms** - processes to log and analyse activity across some systems were absent or ineffective. This increases the risk that agencies may not identify or respond in a timely manner to potentially malicious actions.

Internal Controls

6.19 Ineffective or missing key controls, or systemic weaknesses that compromise the control environment are referred to as internal control deficiencies which account for 15 issues representing 20 percent of the total number of audit findings, with nine new findings raised in the current year.

6.20 The Audit Office noted repetition in audit findings related to the review of reconciliations of data between subsidiary systems and financial management information systems (FMIS) (6 findings) and the review of payroll reports (2 findings) which are the identified themes for this category as discussed below:

- **reconciliations between subsidiary systems and the FMIS** – this a key control for agencies where the collection of revenue or calculation of payroll is performed through a subsidiary system that provides assurance that all transactions recorded within the FMIS are complete and accurate. The Audit Office observed instances where these reconciliations were not clearly documented or completed in a timely manner which increases risk that errors and irregularities in these records will not be promptly identified, followed up and resolved.
- **salary reports were not always reviewed or reviewed in a timely manner** – The Audit Office found instances where salary reports were either not reviewed or reviewed later than the expected timeframe increasing the risk that errors, overpayments, omissions or fraudulent payroll transactions may not be detected or detected in a timely manner.

Reporting

6.21 Issues that may lead to a modified auditor's report if not addressed and improvements needed in financial reporting practices are categorised under Reporting. These findings account for 10 issues, representing 13 percent of the total outstanding audit findings, with 5 new findings raised in the current year.

6.22 The decrease in the number of findings reflects gradual improvement in reporting accuracy and process discipline. Remaining issues primarily relate to incomplete documentation, inadequate review mechanisms, and inconsistencies in compliance with established reporting procedures. Ongoing focus by agencies on their quality assurance and review processes will further enhance the reliability and integrity of reporting outcomes.

6.23 The Audit Office observed similar audit findings related to both statement of performance (3 findings) and financial statements quality assurance (4 findings). These are discussed below:

Statement of Performance

- **usefulness of accountability indicators** in the Statement of Performance, including poor explanations on the results achieved by the indicator. Agencies have made incremental improvements updating indicators that did not provide useful information on the performance and improved their explanations, however, the Statement of Performance still includes some accountability indicators that measure activities performed instead of the effectiveness and efficiency of the outcomes delivered by the agencies.
- **lack of data supporting new accountability indicators** resulted in changes to the reported results from the draft statement of performance submitted for audit. The Audit Office identified a new accountability indicator of the agency did not include sufficient detail on how this indicator should be measured, including what the population was to include or how a certain requirements of the indicator was defined. Further, no data collection processes were in place to accurately capture the information required to support the results resulting in the accountability indicator being assessed as ‘Not Measured’.

6.24 Further attention is required from agencies to ensure that the accountability indicators present a view of the agency’s performance and not a measure of their ordinary activities. Where agencies present new accountability indicators in their budget statements, sufficient consideration should be given to identify the basis of measurement for the indicator and such processes should be implemented from the outset to enable agencies to be able to obtain the required information for reporting in their statement of performance.

Financial Statements

- **quality assurance** - draft financial statements provided for audit must have sufficient and appropriate supporting documentation including position papers to allow the audit to be carried out efficiently and effectively. The Audit Office identified deficiencies in the quality of some of the submitted financial statements such as incomplete disclosures and incomplete working papers to support significant management estimates, judgements and significant transactions such as asset transfers and valuations close to year end. On some occasions, agencies did not prepare accounting position papers to support their assessment of complex matters leading to delays in the audit process.

- Inadequate quality assurance processes in the preparation and review of the financial statements increase the risk of material misstatements in the financial statements, delays in the audit and higher audit fees.

6.25 These reporting weaknesses diminish the effectiveness of financial statement and statement of performance preparation and review, increase the risk of non-compliance with the *Financial Management Act 1996* and agency rework arising from deficient working papers. Ultimately, these deficiencies can cause delays in meeting reporting timeframes.

6.26 Overall, agencies should prioritise the establishment of robust internal quality review processes to ensure consistency, accuracy, and completeness of financial statements, statement of performance and related working papers.

7 Annual Reporting

Compliance with Annual Reporting Requirements

7.1 Territory agencies must publish annual reports detailing their activities and performance to ensure transparency and accountability. Under the *Annual Reports (Government Agencies) Act 2004 and the Annual Report Directions 2025*, these reports must follow prescribed timelines, formats, and content requirements.

7.2 Agencies with financial reporting obligations under the *Financial Management Act 1996*, must include financial statements, the auditor's report, and, where applicable, a statement of performance and limited assurance report.

7.3 The Audit Office reviews annual reports under *Australian Auditing Standard ASA 720*. This involves verifying that financial statements and statements of performance are complete and accurate, ensuring the auditor's and limited assurance reports are included, and confirming other financial and performance information aligns with audited statements. The Audit Office also checks to see if they have been published by the required due dates.

Significant Observations

Eleven agency's annual reports contained errors and three agency's published their annual reports two days after the required due date indicating that some agencies need to improve their processes for publishing their annual reports to ensure accurate and timely information is made avaliable to the Assembly and the community.

7.4 Of the 43 reporting agencies required to publish their annual reports, 40 complied with the *Annual Reports Directions 2025* by publishing their annual reports online on the same day they were tabled in the ACT Legislative Assembly. Three agencies, however, were late and uploaded their reports within two working days after the deadline.

7.5 During the review of annual reports, errors were identified in 11 agency's reports. These errors mainly related to the:

- publication of the incorrect version of their financial statements or statement of performance; and
- discrepancies between figures reported in the management discussion and analysis and the financial statements.

8 Changes to Administrative Arrangements

8.1 During the year major changes to administrative arrangements were announced resulting in the transfer of functions, resources, personnel and responsibilities between agencies. Some changes occurred during 2024-25 and others will commence from 2025-26. Key changes involve redistributing portfolio responsibilities between directorates and the merging of some directorates together.

8.2 These changes can create complexities in preparing financial statements, as agencies may need to integrate accounting systems, processes, and balances, along with associated disclosures. To manage these challenges and minimise the risk of errors and delays in the audit and reporting process, impacted agencies will need to:

- coordinate early and align processes – work closely across finance teams to harmonize accounting policies, systems, and procedures, ensuring smooth integration of transferred functions;
- ensure accurate transfers and disclosures – validate the movement of assets, liabilities, appropriations, and related balances, and clearly reflect changes in financial statements and the management discussion and analysis, including the impact on original budgets;
- maintain clear documentation and evidence – keep comprehensive audit trails and supporting working papers for all transfers (e.g. appropriations, assets and liabilities, bank accounts, and accountability indicators), and evidence of approval by the relevant executives; and
- engage early with the Audit Office on any significant issues and concerns in relation to the required workpapers or reporting requirements.

Appendix A: Auditor's Reports

The types of auditor's reports issued on the financial statements are listed below.

Table A:1 Auditor's reports

Key: Unmodified 🟢 | Modified 🔴

No.	Reporting Agency	Auditor's Reports
	Territory	
1	Territory's Consolidated Annual Financial Statements	🟢
	Directorates	
2	ACT Executive	🟢
3	ACT Health Directorate	🟢
4	ACT Integrity Commission	🟢
5	ACT Local Hospital Network	🟢
6	Canberra Health Services	🟢
7	Chief Minister, Treasury and Economic Development Directorate	🟢
8	Community Services Directorate	🟢
9	Education Directorate	🟢
10	Environment, Planning and Sustainable Development Directorate	🟢
11	Housing ACT	🟢
12	Justice and Community Safety Directorate	🟢
13	Lifetime Care and Support Fund	🟢
14	Infrastructure Canberra	🟢
15	Office of the Legislative Assembly	🟢
16	Public Sector Workers Compensation Fund	🟢
17	Superannuation Provision Account	🟢
18	Territory Banking Account	🟢
19	Transport Canberra and City Services Directorate	🟢
20	Transport Canberra Operations	🟢
	Territory and Statutory Authorities	
21	ACT Electoral Commission	🟢
22	ACT Building and Construction Industry Training Fund Authority	🟢
23	ACT Gambling and Racing Commission	🟢
24	ACT Insurance Authority	🟢

No.	Reporting Agency	Auditor's Reports
25	Cemeteries and Crematoria Authority	
26	Canberra Institute of Technology (31 December 2024)	
27	City Renewal Authority	
28	Cultural Facilities Corporation	
29	Independent Competition and Regulatory Commission	
30	Legal Aid Commission (ACT)	
31	Long Service Leave Authority	
32	Motor Accident Injuries Commission	
33	Office of the Work Health and Safety Commissioner (WorkSafe ACT)	
34	Public Trustee and Guardian	
35	Suburban Land Agency	
36	University of Canberra (31 December 2024)	
	Territory-owned corporations and other companies	
37	CIT Solutions Pty Limited (31 December 2024)	
38	Icon Distribution Investments Limited	
39	Icon Retail Investments Limited	
40	Icon Water Limited	
41	UCX Ltd (31 December 2024)	
	Joint ventures and partnerships	
42	ActewAGL Distribution Partnership	
43	ActewAGL Joint Venture Special Purpose Financial Report	
44	ActewAGL Joint Venture Summary Financial Report	
45	ActewAGL Retail Partnership	
46	West Belconnen Joint Venture	
	Other audits	
47	Capital Region Community Foundation Gift Fund	
48	Capital Region Community Foundation Open Fund	
49	Default Insurance Fund	
50	National Health Funding Pool Account for the ACT	
51	Office of the Nominal Defendant of the ACT	
52	Public Trustee and Guardian - Trust Account	
53	ACT Sustainable Household Scheme Trust	

No.	Reporting Agency	Auditor's Reports
54	ACT Private Buildings Cladding Scheme Loans Trust	
55	University of Canberra Research Income Return (31 December 24)	
	Acquittal Audits	
56	Commonwealth funding under the *National Land Transport Act 2014* - Black Spot Projects	
57	Commonwealth funding under the *National Land Transport Act 2014* - National Projects	
58	Commonwealth funding under the *National Land Transport Act 2014* - Roads to Recovery	
59	Commonwealth funding under the *Local Roads and Community Infrastructure Program Guidelines*	
60	Commonwealth funding under the *National Land Transport Act 2014* - Roads to Recovery 2019-24	
	Compliance audit	
61	Public Trustee and Guardian - Compliance with the *Taxation Administration (Public Ancillary Fund) Guidelines 2022*	

Appendix B: Limited Assurance Reports

The types of limited assurance reports issued on the statement of performance are listed below.

Table B-2 Limited assurance reports

Key: Unmodified | Modified

No.	Reporting Agency	Limited Assurance Reports
	Directorates	
1	ACT Health Directorate	
2	ACT Local Hospital Network	
3	Canberra Health Services	
4	Chief Minister, Treasury and Economic Development Directorate	
5	Community Services Directorate	
6	Education Directorate	
7	Environment, Planning and Sustainable Development Directorate	
8	Housing ACT	
9	Justice and Community Safety Directorate	
10	Lifetime Care and Support Fund	
11	Infrastructure Canberra	
12	Public Sector Workers Compensation Fund	
13	Superannuation Provision Account	
14	Territory Banking Account	
15	Transport Canberra and City Services Directorate	
16	Transport Canberra Operations	
	Authorities	
17	ACT Building and Construction Industry Training Fund Authority	
18	ACT Gambling and Racing Commission	
19	ACT Insurance Authority	
20	Cemeteries and Crematoria Authority	
21	Canberra Institute of Technology (31 December 2024)	
22	City Renewal Authority	
23	Cultural Facilities Corporation	
24	Independent Competition and Regulatory Commission	
25	Legal Aid Commission (ACT)	

No.	Reporting Agency	Limited Assurance Reports
26	Long Service Leave Authority	
27	Motor Accident Injuries Commission	
28	Office of the Work Health and Safety Commissioner (WorkSafe ACT)	
29	Public Trustee and Guardian[1]	
30	Suburban Land Agency	

Note 1 : The Public Trustee and Guardian received a modified conclusion as one accountability indicator could not be measured due to the unavailability of the underlying data.

Appendix C: Rating Criteria

The following criteria were used to assess the quality of financial statements and statements of performance submitted by reporting agencies to the Audit Office for examination. This assessment is undertaken collectively by the Assistant Auditor-General, Financial Audit and other senior members of the financial audit team.

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

Audit Reports

Reports Published in 2024-25

Report No.	Report Name
Report No. 06 - 2025	Annual Report 2024-25
Report No. 05 - 2025	Specialist assessment services for dementia and cognitive decline
Report No. 04 - 2025	Gaming machine licensee regulation
Report No. 03 - 2025	ACT Government long-term plans and strategies
Report No. 02 - 2025	Energy efficiency standard for rental properties
Report No. 01 - 2025	Management of the Growing and Renewing Public Housing Program
Report No. 14 - 2024	Facilities management and support services for ACT Courts
Report No. 13 - 2024	Invoicing and payments for Digital Health Record hosting services
Report No. 12 - 2024	2023-24 Financial Audits – Financial Results and Audit Findings
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.	Report Name
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 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

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