

MEDIA RELEASE

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2012-13 Financial Audits

ACT Auditor-General, Dr Maxine Cooper, today presented the **2012-13 Financial Audits** report to the Speaker for tabling in the ACT Legislative Assembly.

Dr Cooper says there was an overall improvement in the quality of the 2012-13 financial statements and resolution of audit findings.

'The risk of errors, fraud and poor reporting are reduced by the resolution of these audit findings', Dr Cooper said.

The annual report on the results of financial audits is one of a series of regular reports released by the Auditor-General. It also reports key final financial results for the Territory.

No qualified audit reports were issued on financial statements and no qualified reports of factual findings were issued on statements of performance. The proportion of good and satisfactory reports improved significantly. It increased:

- from 72% in 2011-12 to 77% in 2012-13 for financial statements; and
- from 64% in 2011-12 to 90% in 2012-13 for statements of performance.

Agencies' performance in resolving audit findings went up from 107 (56%) in 2011-12 to 211 (72%) in 2012-13. Audit findings not resolved dropped from 42 (22%) in 2011-12 to 31 (11%) in 2012-13.

The Auditor-General has made eleven recommendations for action to address audit findings.

'While it is satisfying to see improvements in reporting and resolving audit findings, a goal for next year will be to tighten up weaknesses in controls over computer information systems, including major revenue applications', Dr Cooper said.

Despite the overall improvement in resolving audit findings many weaknesses in controls over computer information systems have not been resolved.

The report highlights the potential risks posed by the use of generic or shared user accounts and recommends the use of more complex passwords and other measures to reduce the risk of inappropriate or fraudulent access to computer systems.

Key financial results for the Territory are:

- The net operating balance, a deficit of \$456 million, exceeded the budgeted deficit of \$443 million by \$13 million (2.9%).
- Deficits in the net operating balance are forecast for the forward years. These are estimated to decline significantly from \$438 million in 2013-14 to \$98 million in 2016-17. This decline depends on revenue (mostly taxation, Commonwealth Government grants and value-add component of land revenue) exceeding expenses (in particular, employee and supplies and services expenses).
- The operating deficit of \$122 million was lower than the budgeted deficit of \$257 million due largely to higher than anticipated gains on superannuation investments which were partially offset by lower net land revenue.
- An operating deficit of \$134 million is estimated for 2013-14 followed by increasing estimated surpluses ranging from \$3 million in 2014-15 to \$164 million in 2016-17. Achievement of these operating surpluses depends on the Territory obtaining sufficient other economic flows, in particular, gains from investment and property markets, to counter the estimated deficits in the net operating balance over the forward years.
- The Infrastructure Investment Program was underspent by \$252 million (29%) due mainly to delays in major capital projects.

The Auditor-General issued an unqualified audit report on the Territory's 2012-13 Consolidated Annual Financial Statements.

The Auditor-General has recommended that information on the financial results of the Territory be improved by the provision of a management discussion and analysis report on the Territory's financial performance. This report would improve transparency and accountability by:

- assisting readers to understand the significance of key financial information contained in the financial statements and implications of financial trends for future services and operations of the Territory;
- providing a concise and balanced information on the reported financial results including informative comparisons to budget estimates and prior year results; and
- facilitating readers' understanding of Territory's financial performance when published with the financial statements.

Copies of the report are available from the ACT Auditor-General's Office website www.audit.act.gov.au and the Office (please telephone 6207 0833 or go to 11 Moore Street, Canberra City)