

MEDIA RELEASE

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2009-10 Financial Audits

The ACT Auditor-General, Mrs Tu Pham, has today presented Report No. 10 of 2010 titled '**2009-10 Financial Audits**' to the Speaker of the ACT Legislative Assembly.

This report provides a summary of the results of the audits of financial statements and reviews of statements of performance of the Territory and its agencies completed by the Audit Office during 2009-10.

Results of Financial Audits and Reviews of Statements of Performance

- The Audit Office audited 78 financial statements during the 2009-10 financial audit program. No qualified audit reports were issued, indicating that the Office is satisfied that the financial statements fairly present the agencies' financial results.
- The Audit Office issued 30 reports on agencies' statements of performance. Three of these reports were **qualified** because some performance indicators were not measured as required by the *Financial Management Act 1996*.

Audit Findings

- In 2009-10, many agencies improved aspects of their governance arrangements, internal controls and reporting processes. Agencies resolved 201 (75 percent) of the audit findings reported in previous years.
- Several of the unresolved audit findings related to internal control weaknesses in major revenue applications. Areas in particular need of improvement include controls over user access, backup and recovery procedures and policies and procedures for managing changes to applications.
- The overall quality of financial statements and statements of performance prepared by agencies also improved in 2009-10. However, many performance indicators need to be improved as they provide little or no meaningful information about the performance of the reporting agencies.
- The Territory and most of its agencies operated within their budgets.

The Territory's Financial Results

Two key indicators of the Territory's overall financial performance are the **net operating balance** and the **operating result**.

1. The **net operating balance** consists of revenue and expenses that arise from mutually agreed transactions such as Commonwealth grants, taxation, land development revenue, employee costs, supplies and services costs and depreciation expenses.
 2. The **operating result** consists of the **net operating balance** and **other economic flows**. **Other economic** flows for the Territory largely consist of gains and losses on investments and the estimated component of land sales attributable to movements in the markets for investments and land.
- In 2009-10, the Territory's net operating balance was a surplus of \$110 million. This surplus result came from a growth in revenue which exceeded the increase in expenses. This result also compares favourably to the budgeted and prior year deficits of \$192 million and \$26 million respectively.

- The Territory is expected to incur deficits in its net operating balance over the forward years.
- In 2009-10, the Territory generated an operating surplus of \$390 million; a result which compares favourably to the budgeted surplus of \$78 million and deficit of \$276 million incurred in the previous year. This improved result was mostly due to an increase in the market values of the Territory's superannuation investments and the higher net operating balance referred to above.
- The Territory has forecast small but steadily increasing operating surpluses over the forward years ranging from \$26 million in 2010-11 to \$129 million in 2013-14. The achievement of operating surpluses over the forward years is dependent on the Territory obtaining sufficient gains from investment and property markets to counter the anticipated deficits in the net operating balance over this period.
- The Territory's short-term financial position remains strong. However, the long-term financial position weakened significantly in 2009-10 and is estimated to weaken further over the forward years. The weakening long-term financial position was largely caused by the growing unfunded superannuation liability and additional borrowings being undertaken to fund major capital projects relating to water security.
- In 2009-10, the planned capital works funding was underspent by \$216 million (26 percent) mainly due to delays in completing major infrastructure and building projects.

Computer Information Systems

The Audit Office reviewed the computer information systems used for financial management, human resource management, school administration, public housing and the collection of taxes, fees and fines. Although there was an overall improvement, significant control weaknesses were identified in some major systems. These can lead to a higher risk of inappropriate or fraudulent access to computer information systems and unauthorised changes to applications and data.

Audit Findings on Individual ACT Government Agencies

- This report also provides the audit findings on individual ACT Government agencies. In most cases, agencies made good progress in addressing previously reported audit findings.
- The more common control weaknesses were payments being made without sufficient evidence of the goods and services having been received, a failure to consistently review salary payments and a lack of control over cash receipts. These weaknesses increase the risk of errors and fraud.

Further Information

For further information, please contact Mr Bernie Sheville (Director, Financial Audits) on 6207 0833.

Copies of the report are available at the ACT Auditor-General's Office (Level 4, 11 Moore Street, Canberra City, ACT 2601) and from the website, www.audit.act.gov.au.