

**MEDIA RELEASE****13 December 2018****2017-18 Financial Audits  
Financial Results and Audit Findings**

Today, the **2017-18 Financial Audits – Financial Results and Audit Findings** report from the Acting Auditor-General, Mr Ajay Sharma was tabled by Madam Speaker in the ACT Legislative Assembly.

Mr Sharma said ‘The financial results of the Territory are important as they provide information to the community about the state of the Territory’s finances and the financial impact of government policies and strategies over time’.

The 2017-18 financial results were better than anticipated in the budget papers. The net operating balance, which measures the difference between the Territory’s revenue and expenses, was a deficit of \$42 million which was less than the budgeted deficit of \$331 million. Despite the better than expected result the budget papers forecast the net operating balance deficits to persist for the foreseeable future as the costs of delivering public services is expected to continue to exceed revenue.

The operating result, which is the net operating balance adjusted to include mainly market gains or losses on investments, was a surplus of \$247 million compared to an expected deficit of \$28 million. While a surplus is forecast for the operating result for two of the next four years, these surpluses are reliant on the generation of sufficient gains from investments to offset the forecasted deficits in the net operating balance.

‘As investment markets are volatile, the Territory’s exposure to more or larger operating deficits in future years remains high’ said Mr Sharma.

The report also highlights that meeting the Territory’s unfunded superannuation liability (\$5 746 million), which accounts for about half of the Territories total liabilities, will continue to be a challenge for the Territory into the future.

Mr Sharma, stated that ‘while it is pleasing to see the number of audit findings reported to agencies have decreased over the last three years, agencies should give more attention to addressing deficiencies in internal controls, governance arrangements and reporting practices in a timely manner as about half of all previously reported findings were not resolved or were only partially resolved in 2017-18’.

The summary chapter including conclusions from the report is attached to this media release.

Copies of **2017-18 Financial Audits – Financial Results and Audit Findings: Report No. 12/2018** are available from the ACT Audit Office’s website: [www.audit.act.gov.au](http://www.audit.act.gov.au). If you need assistance accessing the report, then please phone 6207 0833 or visit 11 Moore Street, Canberra City.

## SUMMARY

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

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

This report includes a discussion of the financial results of the Territory and reporting agencies that significantly affect these results for the year ended 30 June 2018.

The ACT Audit Office (the Audit Office) reports audit findings identified during the audits of agency financial statements and reviews of agency statements of performance to those charged with governance of the agencies. A discussion of these findings provides insight into how the Audit Office contributes to improving agencies' internal controls, governance arrangements and reporting practices.

This is the second of the three audit reports on 2017-18 financial audits. The first audit report '2017-18 Financial Audits – Overview' (Report No. 11/2018) was tabled in the ACT Legislative Assembly on 21 November 2018. The third report on 'Computer Information Systems' will be published in 2019.

## Conclusions

### THE TERRITORY'S FINANCIAL STATEMENTS

An **unqualified audit report** was issued on the Territory's 2017-18 financial statements. This indicates that the financial statements present a true and fair view of the Territory's financial position and results of its operations.

The net operating balance measures the difference between the Territory's expenses and its revenue. The Territory incurred a net operating balance deficit in 2017-18, however this was less than the deficit anticipated in the budget. The Territory has incurred net operating deficits since 2011-12 and forecasts deficits in future years as the costs of delivering public services is estimated to continue to exceed revenue.

The operating result is the net operating balance adjusted for other economic impacts. In the Territory, these mainly relate to gains or losses on investments. An operating surplus was made by the Territory in 2017-18 compared to a budgeted deficit. This was largely due to a better than anticipated net operating balance and gains on investments.

While an operating surplus is budgeted for 2018-19, deficits are forecast for 2019-20 and 2020-21. Another surplus is not forecast until 2021-22. However, this depends on continued growth in revenue, constraining expenses to forecasted amounts and the generation of sufficient gains from investments to offset the estimated deficits in the net operating balance. As investment markets are volatile, the Territory's exposure to more or larger operating deficits in future years remain high.

The net assets of the Territory were \$15 804 million at 30 June 2018. However, this was lower than anticipated in the budget mainly due to the higher than budgeted unfunded superannuation liability, which accounts for 49 percent of the Territory's liabilities.

The Territory had a strong capacity to pay its liabilities that were due within 12 months of 30 June 2018. Net short-term assets were \$984 million at 30 June 2018, however, the Territory estimates this will significantly weaken to a net short-term liability position of \$3 million by 30 June 2022.

### AUDIT FINDINGS

The number of audit findings reported to agencies have steadily decreased over the last three financial years. However, as 47 percent of previously reported audit findings were not resolved or were only partially resolved in 2017-18, agencies should give attention to promptly addressing these findings.