

MEDIA RELEASE

19 December 2014

2013-14 Financial Audits

Today, the ACT Auditor-General, Dr Maxine Cooper, presented the report on **2013-14 Financial Audits** to the Speaker for tabling in the ACT Legislative Assembly.

Importantly, the report presents the financial performance of the Territory compared to the budget estimates and prior year results along with details of the audit results of selected ACT Government entities. It includes a discussion of the estimated financial results over the forward years from 2014-15 to 2017-18.

Weaknesses in governance arrangements and internal controls implemented by reporting agencies, reporting errors and deficiencies in reporting practices are also presented.

Overview

Dr Cooper said 'In 2013-14 the Territory incurred a deficit of \$309 million in its net operating balance which was less than the budgeted deficit of \$438 million and prior year deficit of \$456 million. The short and long-term financial positions of the Territory are expected to weaken over the forward years from 2014-15 to 2017-18.'

While the Territory's financial performance has improved, this is not the case for its financial position which has weakened. The short and long-term financial positions at 30 June 2014 are weaker than the positions which existed at 30 June 2013.

Dr Cooper said 'there are challenges ahead for the Territory with respect to managing its deficits and meeting its commitments. For example, substantial increases in capital injections may be required to achieve the long-term objective of fully funding the superannuation liability by 30 June 2030.'

Deficits in the net operating balance are expected for each of the forward years. These are estimated to increase from \$309 million in 2013-14 to a peak of \$537 million in 2014-15 then decrease to \$138 million in 2017-18.

Dr Cooper said 'these planned deficits mean that the Territory is exposed to large deficits if unexpected adverse events cause large negative fluctuations in revenue and expenses. These forward estimates do not, for example, take into account the major negative financial effects of the ACT Government's response to households affected by 'Mr Fluffy' asbestos.'

The Territory can meet adverse events by, for example, increasing taxes, reducing or reprioritising expenses, increasing borrowing and/or selling assets to cover deficits or reduce them.

Specific audit findings

Dr Cooper recommends that 'reporting agencies improve their processes for resolving audit findings and give particular attention to tightening controls over computer systems as many unresolved findings relate to weaknesses in controls over computer systems.'

Ten of the 14 recommendations made in the report are to:

- reduce the risk of inappropriate or fraudulent access to computer systems and information held on those systems;
- ensure that computer systems are promptly restored without the loss of information in the event of a disaster or other major disruption; and
- improve security over information that is required to be protected.

Public Trustee - suspected fraud

In the *unqualified* audit reports on the financial statements of Public Trustee and Trust Account, Dr Cooper draws attention to disclosures made by the Public Trustee about suspected fraudulent transactions in trust funds administered by the Public Trustee. The suspected fraud is estimated at \$1.6 million. The investigation of the suspected fraud was in progress at 30 June 2014.

ACT Public Cemeteries Authority and Related Perpetual Care Trusts

The *qualified* audit report issued on the financial statements of the ACT Public Cemeteries Authority discloses that the Governing Board of the Authority was unable to determine whether indirect maintenance costs charged to the Perpetual Care Trusts established to fund the maintenance of cemeteries at Gungahlin, Hall and Woden and the Woden Mausoleum were valid.

Quality of reporting

An unqualified audit report was issued on the Territory's financial statements.

Five of the 69 audit reports issued on financial statements were qualified. Qualified audit reports were issued on the financial statements of the ACT Public Cemeteries Authority and the four related Perpetual Care Trusts.

Two of the 29 reports of factual findings issued on statements of performance were qualified. Qualified reports of factual findings were issued on the statements of performance of the ACT Public Cemeteries Authority and ACT Compulsory Third-Party Insurance Regulator.

The overall quality of financial statements submitted for audit in 2013-14 was similar to 2012-13. The percentage of 'good' and 'satisfactory' financial statements submitted was 81 percent in 2013-14 compared to 77 percent in 2012-13.

The overall quality of statements of performance improved with the percentage of statements of performance assessed as 'good' increasing from 57 percent in 2012-13 to 69 percent in 2013-14.

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)
