

MEDIA RELEASE**13 December 2019****2018-19 Financial Audits
Financial Results and Audit Findings**

The Auditor-General, Mr Michael Harris, today presented a report on the financial results and key audit findings from the 2018-19 financial audits to the Speaker for tabling in the ACT Legislative Assembly.

Mr Harris said, 'The financial results of the ACT Government provide useful information to the community about the state of the Territory's finances and the financial impact of government decisions over time'.

The net operating balance measures the difference between the Territory's expenses and its revenue. The Territory incurred a significantly higher net operating balance deficit of \$237 million when compared to the budgeted deficit of \$131 million as the cost of delivering services in the Territory is significantly higher than the income it generates. The budget papers forecast net operating balance deficits over the next three years as the cost of delivering public services is estimated to continue to exceed revenue.

The operating result is the net operating balance adjusted for other economic impacts such as gains or losses from investments and land sales. The Territory recorded an operating deficit of \$202 million compared to a budgeted surplus of \$103 million. The trend of operating deficits is budgeted to continue over the next couple of years before an expected return to surplus in 2021-22. This surplus depends on continued growth in revenue, constraining expenses and reliance on other economic inflows to offset the estimated deficits in the net operating balance.

This report also highlights the continuing challenge in meeting the Territory's unfunded superannuation liability (\$7 583 million) for members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme which accounts for almost half of the Territory's liabilities.

Audit findings reported to agencies have continued to decline with a reduction in audit findings reported over the past three years. While the number of audit findings is reducing agencies need to continue to give attention to addressing previously reported audit findings as half of the audit findings in 2018-19 related to prior years.

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

Copies of **2018-19 Financial Audits – Financial Results and Audit Findings: Report No. 10/2019** are available from the ACT Audit Office's website: 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

Understanding the financial statements of the Australian Capital Territory Government (Territory) is 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 impact 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 2019. It also includes details of the progress made by reporting agencies in resolving audit findings and further work required to streamline and simplify (de-clutter) the model financial statements.

This is the second of the three audit reports on 2018-19 financial audits. The first audit report '2018-19 Financial Audits – Overview' (Report No. 9/2019) was tabled in the ACT Legislative Assembly on 29 November 2019. The third report on 'Computer Information Systems' will be published in 2020.

Conclusions

THE TERRITORY'S FINANCIAL STATEMENTS

An **unmodified auditor's report** was issued on the Territory's 2018-19 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 2018-19 and this was higher than the deficit anticipated in the budget. As the costs of delivering public services is estimated to continue to exceed revenue, the Territory will continue to incur deficits in forward years until 2021-22.

The operating result is the net operating balance adjusted for other economic impacts. In the Territory, these impacts mainly relate to gains or losses on investments, net gain/(loss) on sale/(disposal) of non-financial assets and gains related to land sales. An operating deficit was made by the Territory in 2018-19 compared to a budgeted surplus. This was largely due to the net operating balance deficit discussed above and less than expected other economic inflows from the losses on the sale/(disposal) of non-financial assets and lower gains related to land sales.

While operating deficits are budgeted for 2019-20 and 2020-21, a surplus is forecast for 2021-22. This surplus depends on continued growth in revenue, constraining expenses and reliance on other economic inflows to offset the estimated deficits in the net operating balance.

The net assets of the Territory were \$14 612 million at 30 June 2019. This was below the budgeted amount mainly due to the higher than expected unfunded superannuation liability, which accounts for almost half of the Territory's liabilities.

The Territory had a strong capacity to pay its liabilities that are due within 12 months as its net short-term assets were \$750 million at 30 June 2019. The Territory estimates that its short-term assets will remain at adequate levels to meet short-term liabilities in forward years.

AUDIT FINDINGS

Audit findings

The number of audit findings reported to agencies have steadily decreased over the last three financial years. However, as half of previously reported audit findings were not resolved or were only partially resolved in 2018-19, agencies should give attention to promptly addressing these findings.

Model financial statements

The review of the model financial statements in 2018-19 indicates further work is needed by the Directorate to streamline and simplify (de-clutter) the model financial statements.