

# MEDIA RELEASE

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## 2006-07 Financial Audits

The Auditor-General, Mrs Tu Pham, presented Report No.8 of 2007 titled '*2006-07 Financial Audits*' to the Speaker for tabling today in the Legislative Assembly. This report presents a summary of the results of the audits of the financial reports for the Territory and its agencies.

## HIGHLIGHTS

### Results of Financial Audits

- Two (3%) of the 64 audit reports issued on financial reports were qualified. The qualifications referred to financial information that was unable to be audited.

An **unqualified** report is issued when the Audit Office is satisfied that a financial report is presented in accordance with Australian Accounting Standards.

- Most (81%) reports of factual findings issued on agencies' statements of performance were unqualified. The number of performance measures referred to in the **qualified** reports represented a small percentage (less than 2%) of the performance measures examined.

### Audit Findings

#### Financial and Performance Reporting

- The Audit Office remains concerned about the poor quality of the financial reports and statements of performance prepared by many agencies, particularly the smaller ones. Many agencies tended to rely excessively on the financial audit process to assist in meeting their reporting requirements.
- The Office is also concerned about the continuing high rate of non-compliance with the whole-of government reporting timetable issued by the Department of Treasury.

#### Annual Reports

- In 2006-07, many agencies did not comply with the requirement to place their annual reports on the relevant website on the same day the printed copy is provided to the Legislative Assembly. Most agencies did, however, place their annual reports on the website shortly after the due date.
- Several agencies did not ensure the correct version of the financial report and statement of performance was included in the annual report. This problem indicates that agencies' processes for ensuring the correct versions of financial reports and statements of performance in their annual reports need improvement even though the discrepancies were found to be minor in nearly all cases.

## **Fraud and Risk Management**

- The adequacy of risk and fraud management arrangements implemented by agencies varied between agencies. In the vast majority (90%) of cases, agencies had documented and approved fraud and risk management plans. Agencies without such plans were mostly smaller ones.

## **Budget Management**

- Most departments and authorities were found to have managed their operations to within their budgets.

## **Information Systems**

- The Audit Office assessed whether IT controls provided assurance that IT systems, applications and data were adequately protected, operate as intended and produced reliable and accurate financial reports. Agencies need to improve:
  - IT planning arrangements;
  - business continuity arrangements;
  - the development, implementation and management of new or changed IT systems and applications;
  - access security; and
  - the monitoring of activity on IT systems and applications.

## **The Territory's Finances**

- The Territory's 2006-07 financial results were significantly better than the budgeted figures with the key financial performance indicators showing improvement compared to the budgeted and prior year results.
- The Territory's 2006-07 operating surplus (\$372 million) was significantly better than the budgeted deficit (\$27 million) and the 2005-06 surplus (\$77 million).
- This financial performance reflected strong growth in the Territory's income, which exceeded the budgeted amount by \$376 million (12.3%), and grew over the prior year by \$331 million (10.7%). All major sources of income exceeded the budgeted and prior year amounts.
- The Territory's short-term financial position at 30 June 2007 remains strong.
- Although a large part of the Territory's liabilities remain unfunded, the Territory's long-term financial position at 30 June 2007 has improved significantly. Significant contributing factors to this improved position include the higher accrual and cash operating surpluses, reflected in higher financial asset balances, combined with large reductions in the actuarial assessment of the superannuation liability.

- The Territory's 2006-07 operating cash inflows of \$547 million substantially exceeded the budgeted and prior year's inflows of \$281 million and \$387 million respectively, and is primarily due to the growth experienced in all of the Territory's major income sources.

### **Commentary on Government Agencies**

- This report also includes a commentary on the financial results of many agencies and provides additional information on the matters identified during the completion of financial audits and reported to agencies.

### **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 its website, [www.audit.act.gov.au](http://www.audit.act.gov.au).