

31 October 2012

AUDITOR-GENERAL'S REPORT TO PARLIAMENT VOLUME THREE 2012 FOCUSING ON NSW STATE FINANCES

ROOM FOR IMPROVEMENT IN STATE FINANCIAL REPORTING

2011-12 financial reporting

The number of significant errors in the State's financial reporting information is increasing. There were 37 errors of over \$20 million each identified during the audit of the State's 2011-12 consolidated financial statements.

| | Number of Errors | | |
|---|------------------|-----------|-----------|
| | 2011-12 | 2010-11 | 2009-10 |
| \$20 - \$50 million | 19 | 14 | 11 |
| \$50 - \$100 million | 7 | 4 | 5 |
| \$100 million - \$1 billion | 9 | 6 | 6 |
| Greater than \$1 billion | 2 | 1 | 2 |
| Total errors greater than \$20 million | 37 | 25 | 24 |

Errors included mistakes in spreadsheets, data entry errors, errors in end-of-year accruals and poor reconciliation processes.

"My audit process is still identifying very large errors, sometimes in excess of \$1 billion," said Mr Achterstraat. "It is the responsibility of government agencies to ensure the quality of information provided for audit and my job to provide an opinion that the information is materially correct. These errors should be detected by agency quality review processes, before they are submitted to my Office," he added.

Problems in asset recognition and measurement have plagued the State's finances for the past decade. New deficiencies in the evidence to support asset values emerged this year.

"My audit opinion on the State's consolidated financial statements was qualified as a direct result of deficiencies in accounting for assets," said Mr Achterstraat.

Challenges ahead

NSW agencies face significant challenges if they are to meet the 2013 target for presenting their annual reports in Parliament two months earlier than the previous years. Particularly, as over a third of the largest agencies did not meet Treasury's due dates for their 2011-12 financial reports.

"Whilst some action has occurred, current initiatives are not always ensuring accurate year-end financial reporting," said Mr Achterstraat. "Some agencies are failing to identify potential year-end accounting issues that delay the finalisation of their financial statements. Other agencies' accounting processes are failing to detect errors," he added.

Further information

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