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PRESS RELEASE

Government's consolidated financial statements are not reliable

The year ending 30 June 2014 was the first year that the Office of the Auditor General was able to obtain enough information to audit the Government's financial statements, says a recently issued report by the Office. However, the audit opinion by the former Auditor General said that the information in those statements was not reliable and did not fairly present the financial results of the Entire Public Sector (EPS).

The report, entitled "*Financial and Performance Reporting: Entire Public Sector for the year ending 30 June 2014*," was recently sent to the Legislative Assembly for consideration by the Public Accounts Committee.

"While Government has taken another step toward providing full accountability for the collection and use of public funds, it still needs to do a significant amount of work to reach that objective," said the Acting Auditor General, Mr. Garnet Harrison.

The report notes the many significant accounting deficiencies that led the Auditor General to issue an adverse opinion—for example, significant implementation and operational shortcomings with the Government's main accounting system and a lack of systems and practices to consolidate the various financial statements from across government. The report recommends that the Government develop a clear plan and set goals to achieve the kind of accountability envisioned in the Public Management and Finance Law (PMFL). It needs to develop accounting systems and practices to ensure that, in the future, it can prepare financial reports in accordance with the accounting standards determined by the Law.

When making the report public, Mr. Harrison also noted that the Office of the Auditor General was unable to complete an audit of the Schedule of Appropriations, which the PMFL requires Government to prepare and the Auditor General to audit. Government officials admitted that they did not maintain proper records to prepare this important accountability report showing how Government manages public funds within the spending limits authorized by the Legislative Assembly.

"This report provides clear evidence to support the need for stronger leadership of the financial function in Government," said Mr. Harrison. *"I am very concerned about how long the Government is taking to develop the policies, systems, procedures and practices that are required to prepare quality consolidated financial statements and other financial reports for the Legislative Assembly."*

More information regarding this report can be obtained by contacting Martin Ruben at the Office of the Auditor General at (345) 244-3206. Copies of the reports are available at www.auditorgeneral.gov.ky.