

# Report on Ministerial Portfolios at December 1, 2000

## Report 10 – December 2000

### Executive Summary

The Report provides:

- a summary of the results of financial statement and performance indicator audits completed to December 1, 2000;
- specific references to qualifications of financial statement and performance indicator opinions;
- commentary on accountability issues; and
- commentary on specific control issues.

To December 1, 2000 240 financial statement and 204 performance indicator audits have been completed as part of the 2000 audit cycle. The Report also includes one department, 55 statutory authorities and three request audits that have previously been the subject of a separate Public Health Sector Report.

### Summary of Results – Financial Statements

Previous trends in timeliness of reporting and quality of financial statements and financial reporting have been maintained. No qualified opinions were issued for health sector agencies, maintaining the good results in previous years.

Seven qualified opinions were issued to other agencies in relation to controls, compliance with relevant written laws or financial statements. The Department of Transport, the Education Department of Western Australia, the Government Employees Superannuation Board and the Ministry of Fair Trading are noted as taking relevant and appropriate steps to address issues surrounding their respective qualification issues.

### Summary of Results – Performance Indicators

Progress in the development and reporting of performance indicators continues to be generally steady across all agencies. To December 1, 2000, 188 unqualified opinions on performance indicators were issued in respect of the 197 agencies that submitted performance indicators, with a further seven agencies not submitting indicators as required by the FAAA.

Agencies have made extensive use of customer satisfaction surveys to compile data for performance indicators. During 2000 a review was conducted of 81 customer surveys administered by 51 agencies to determine agencies' progress in addressing particular recommendations made in the 1998 report 'Listen and Learn - Using Customer Surveys to Report Performance in the Western Australian Public Sector (No. 5 of 1998)'. The review looked at how particular surveys are conducted so as to minimise all types of survey error; whether relevant supporting information is presented with performance indicators; and whether survey findings are used to improve services to customers.

Overall, agencies have made progress in addressing particular issues relating to the administration of customer surveys. In particular, agencies have paid greater attention to survey sampling techniques in an effort to increase response rates and lower sampling errors. However, the level of supporting information provided with performance indicators could be further enhanced, and agencies generally need to further integrate their current survey practices with management information systems and decision making processes to ensure customer feedback on satisfaction is purposefully used to improve service type and delivery.

### Accountability Issues

Two accountability issues were identified, the first with respect to particular aspects of corporate governance within public sector corporations, and the other relating to accounting for the GST Transitional Loan.

Corporate governance is equally applicable in the public sector as to the private sector, as it highlights controls, stewardship and accountability. Relevant Corporations Law amendments (effective from July 1, 1998 and in particular, the manner of information disclosed by publicly listed companies on the remuneration of each director and five highest paid officers) are yet



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to be incorporated into the enabling legislation of the eleven public sector corporations. All corporations now have enabling legislation that is not in line with the current requirements applicable to companies subject to Corporations Law. Recognising the principle of accountability for performance promoted at the time of corporatisation, it follows that enabling legislation should continue to mirror the current provisions within the Corporations Law.

A further aspect of corporate governance related specifically to the Electricity Corporation where the Corporation's Statement of Corporate Intent (the Corporation's statement of planned performance for the forthcoming year) for the financial years ending June 30, 2000 and June 30, 2001 have not been formally agreed by the Minister. As a consequence the latest draft Statement of Corporate Intent has become the current contractual agreement between the Corporation and the Government. Although this situation is provided for in the enabling legislation, Parliament has effectively not had the opportunity to consider the draft or deliberate the contents, and is unable to consider the Corporation's performance against agreed outcomes.

With respect to the second accountability issue, audit reviewed the method of accounting for GST transitional payments made by the Commonwealth to the State. These payments are to offset any shortfall between the State's GST revenue entitlement and the total amount of funding foregone as a result of the new Commonwealth-State financial arrangements. The payments are shown as a loan by the Commonwealth in its 2000-01 Budget, and as a revenue item by the State in its 2000-01 Budget. On the basis of the substance of the arrangement between the Commonwealth and the State, the treatment of the 'loan' by the State is supported and is in accordance with Australian Accounting Standards.

### Control Issues

Control issues reported are the result of further complementary reviews of core systems. These were undertaken to provide added assurance that the individual judgement and conclusions reached during the course of individual agency annual attest audits are soundly based and consistent. This is because there is a greater expectation in the public sector that effective controls ensure the integrity of the use of taxpayer money. Further the public sector environment generally is not exposed to the natural rigour imposed by the competitive market environment and in consequence is not able to apply the degree of flexibility and more discretionary approach applicable in the private sector.

In 2000 four areas were chosen for review: receivables (debtors); receipts, banking and investments; assets; and expenditure. The review of receivables across six agencies produced generally satisfactory results with only minor matters noted and resolved with management. Similarly, the review of receipts and banking at eleven agencies indicated that overall, control procedures in relation to these activities were operating effectively. The two areas of assets and expenditure produced matters of significance that warranted separate reporting.

Non-current assets, including land holdings across the State and buildings and infrastructure assets such as power stations and railways amount to \$40 million. A further \$1.9 billion in assets are held as plant and equipment. The review found that controls were generally found to be operating effectively though three areas (existence of assets; depreciation of assets; and safeguarding of assets) were identified where agencies need to strengthen their current procedures and systems to enable them to effect greater control over their property, plant and equipment assets.

Expenditure in the public sector is in excess of \$9 billion annually on the provision of goods and services. Ineffective controls increase the risk of incorrect, duplicate, incorrect and fraudulent payments. This review found that while agency controls were generally effective, instances were identified where particular key controls lapsed. Agencies need to regularly review the effectiveness of their internal controls over these functions to provide assurance that their expenditure transactions comply with legislative provisions.