



Western Australian Auditor General's Report

Audit Results Report

Annual 2011-12 Assurance Audits

Report 14 – November 2012





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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Audit Results Report

Annual 2011-12 Assurance Audits

Report 14
November 2012



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

AUDIT RESULTS REPORT – ANNUAL 2011-12 ASSURANCE AUDITS

The first part of this report under section 24 of the *Auditor General Act 2006* (AG Act) covers 2011-12 assurance audit activity to 29 October 2012 and includes:

- opinions and results of audits on the controls, financial statements and key performance indicators (KPIs) of departments, statutory authorities and subsidiary bodies with reporting dates primarily on 30 June and 31 July 2012
- opinions and results of audits of corporatised bodies reporting under their enabling legislation and other entities audited as requested by the Treasurer
- audit certifications of financial and statistical information produced by agencies to discharge conditions of Commonwealth funding, grants and other legislation
- management issues significant enough to bring to the attention of the Parliament and details of continuing and emerging issues and developments that will impact on accountability, audit practice and financial reporting in 2012-13.

The second part of this report under section 25 of the AG Act details the findings of two recently completed across government benchmarking audits: Agency Gift Registers and Non-Payroll EFT Payments to Employees.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY
AUDITOR GENERAL
7 November 2012

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Auditor General's Overview

The first part of this report summarises the results of the annual audits of agencies, primarily for the year-ending 30 June 2012. The audited financial statements and key performance indicators reported the financial balances at the year-end and the financial transactions and agency performance for the reporting period. The audit opinions issued therefore relate to historical information and it should be emphasised that these audits are not intended to assess any predictive expectations about future trends in financial or agency performance, which may be reported in unaudited sections of agency annual reports or elsewhere. There was a slight increase in the number of qualified audit opinions, with four agencies receiving a repeat of the previous year's qualification.

The report also provides information about recent trends in the standard of financial controls at agencies and a summary of control weaknesses reported to agency management for corrective action. There was a slight reduction in the number of control weaknesses identified this year. By contrast it was disappointing that there was no discernible overall improvement in the quality of financial statements and KPIs submitted by agencies for audit, with avoidable errors remaining high at many agencies.

Due to current economic conditions, agencies are under increased pressure regarding their financial performance. With the introduction of an efficiency dividend in 2012-13, my audit procedures placed extra emphasis on reporting of financial performance, including confirming correct cut-off of expenses between 2011-12 and 2012-13. Looking forward, there will be increasing audit emphasis on areas such as changes in depreciation rates, that expenses are only capitalised where appropriate and that where necessary assets are recognised as impaired.

The second part of the report covers two across government benchmarking audits. It was pleasing that the audit on Non-Payroll EFT Payments to Employees did not identify any fraudulent payments at the agencies sampled. The audit of Agency Gift Registers however identified an overall need for improvement in managing gifts received by employees to ensure that conflicts of interest do not arise.

PART 1: ANNUAL 2011-12 ASSURANCE AUDITS

Executive Summary

This report contains the results of annual assurance audits of agencies with a 30 June or 31 July 2012 reporting date.

Key Findings

Audit Opinions

- 161 audit opinions were issued by 29 October 2012 relating to the 2011-12 financial year. Also 142 certifications were issued. (page 9)
- Seven agencies received qualified opinions: (commencing page 10)
 - Metropolitan Public Hospitals' financial statements and controls were qualified as procedures over medical practitioners' treatment charges for private and overseas patients were inadequate to ensure that all revenue from that source had been brought to account. In addition, the KPIs were qualified because of errors in the recording of emergency waiting time data and because of inadequate system access controls whereby unauthorised changes could potentially be made to waiting time data used for the KPIs.
 - The KPIs of WA Country Health Service were qualified because of errors in the recording of emergency waiting time data.
 - Housing Authority's controls were qualified as there was inadequate control over payments to maintenance contractors to provide reasonable assurance that job orders had been satisfactorily performed before payments were approved.
 - Legal Contribution Trust received a qualified opinion on their financial statements, controls and KPIs because sufficient audit evidence could not be obtained as to the total amount of interest receivable on solicitors' trust bank accounts and interest earned on legal practitioners' trust money.
 - Department for Communities received a qualified opinion on financial statements, controls and KPIs as sufficient audit evidence could not be provided about the eligibility of Seniors Card holders or recipients of rebates.
 - Department for Child Protection's controls were qualified as sufficient audit evidence could not be provided about the validity of financial assistance payments between July and December 2011.
 - The Queen Elizabeth II Medical Centre Trust received a qualified opinion on KPIs as they did not adequately report achievement of outcomes.
- We reported Matters of Significance with the audit opinions of four agencies to highlight the following:
 - Metropolitan Public Hospitals and the WA Country Health Service received Under Treasurer approval to not report audited KPIs for elective surgery waiting times for 2011-12.
 - The transactions and balances of the Western Australian Agriculture Authority were included in the financial statements of the Department of Agriculture and Food but have not been separately disclosed.
 - Construction Industry Long Service Leave Payments Board ended the year in a negative net assets position. (page 12)

Management Issues

- 360 financial and management control weaknesses were identified in 2011-12, down from 410 last year. The number of significant issues requiring prompt attention was similar. (page 15)
- 282 information system control weaknesses were identified. The majority are simple to fix but while not resolved they leave agencies vulnerable to security incidents and disruptions to systems. (page 19)
- KPI shortcomings reported to agencies reduced to 59 weaknesses this year compared to 79 last year. (page 20)

Quality and Timeliness of Financial Reporting

- 54 per cent of agencies demonstrated efficiency in their year-end processes by being audit ready within 20 days of year-end. Last year 49 per cent were audit ready by the same time. (page 22)
- The top 40 'Best Practice' agencies across two categories are acknowledged for timeliness in their financial reporting, good financial controls and reporting practices. (page 23)

Other Financial Reporting and Audit Issues

- Tabling of annual Statements of Corporate Intent (SCI) after the commencement of the financial year to which they relate continues, with some not tabled at all. SCIs are required from agencies that operate at arm's length from government. They contain details of the annual contractual agreement between the agency and the government and are intended to be tabled in Parliament by the relevant Minister either before commencement of or early in the financial year to which they relate. At 30 September 2012, SCIs for 12 of the 23 agencies had not been tabled for 2012-13. (page 25)

Recommendations

- 1. Agency management must continuously maintain the integrity of their financial control environment and accuracy of financial reporting. This should include:**
 - ensuring that there is ongoing review and improvement of internal control systems
 - that control weaknesses brought to their attention by Audit are addressed promptly.
- 2. Agencies should include multiple years of comparative KPI performance information wherever possible.**
- 3. All agencies should review their KPIs on a periodic basis to ensure that they remain relevant, appropriate and fairly present performance against realistic targets.**
- 4. Agencies should only report KPIs that differ from the approved Budget if the revision has been approved by the Under Treasurer for the particular reporting period.**
- 5. Statements of Corporate Intent should be tabled within timeframes required by the relevant legislation and in any event by the start of the financial year to which they relate.**
- 6. The Department of Treasury give greater priority to completing the review of the SCI process.**
- 7. Agencies that receive resources free of charge from another agency should agree the estimated value of those resources with the provider before year-end.**

Audit Opinions

- 161 audit opinions were issued by 29 October 2012 relating to the 2011-12 financial year. Also 142 certifications were issued.
- Seven agencies received qualified opinions and matters of significance were included in the opinions of four agencies.

Introduction

The *Financial Management Act 2006* (FM Act) governs financial accountability of most agencies while the *Auditor General Act 2006* (AG Act) governs the activities and role of the Auditor General.

The Auditor General is required to issue an opinion to the responsible Minister for each agency audited. The opinion will relate to the financial statements and, depending on each agency's enabling legislation, may also relate to controls and key performance indicators (KPIs):

- financial statements – assurance that the financial statements and supporting notes are materially complete, accurate, reliable and comply with relevant legislation and applicable accounting standards
- controls – assurance that the internal control systems and procedures, manual and computerised, are adequate and ensure that financial transactions comply with legislative requirements
- KPIs – assurance that the KPIs are relevant, appropriate, based on reliable data and fairly present the performance of the agency in achieving its desired outcomes.

It should be noted that the audit opinions relate to historical information reported in the financial statements and KPIs.

Summary of Audit Opinions

At 29 October 2012, 161 audit opinions had been issued, primarily for agencies with financial periods ending on 30 June 2012. Appendix 1, commencing on page 29, provides a listing of all audit opinions issued since 1 May 2012.

Audit Opinion issued on	Type of agency	Number
Financial statements, controls and key performance indicators	Departments	44
	Statutory authorities	93
Financial statements only	Annual Report on State Finances	1
	Corporatised entities	15
	Subsidiary entities	6
	Cemetery boards	1
	Request audits (under s19 of AG Act)	1
Total number of audit opinions issued		161

Table 1: Number and type of audit opinions issued between 1 May 2012 and 29 October 2012

Opinion on the Annual Report on State Finances

The financial statements of the Government of Western Australia which are prepared by the Department of Treasury (Treasury) and included in the Annual Report on State Finances (ARSF) were audited for the year-ending 30 June 2012. A clear (unqualified) opinion was issued to the Treasurer on 21 September 2012 for tabling in Parliament.

The audit is performed under the *Government Financial Responsibility Act 2000*. The ARSF brings together significant financial information for the Government of Western Australia and includes the consolidated financial results of all¹ agencies. The 2011-12 ARSF is available from the Treasury website at <http://www.treasury.wa.gov.au>.

Other Audit Services

In addition to opinions, 142 certifications were also issued. Appendix 2 details the 18 audit certifications of financial and statistical information produced by agencies to discharge reporting obligations for Commonwealth funding, grants or other legislation and 124 Royalties for Regions program certifications issued up to 29 October 2012. Refer page 36.

An agreed upon procedures engagement for the regulatory financial statements of the Electricity Networks Corporation (Western Power) for the year-ended 30 June 2012 was completed on 2 October 2012. This report was prepared for submission to the Economic Regulation Authority.

Qualified Opinions Issued

Seven agencies received qualified opinions:

- The Minister for Health in his capacity as the Deemed Board of the Metropolitan Public Hospitals
- WA Country Health Service
- Housing Authority
- Legal Contribution Trust
- Department for Communities
- Department for Child Protection
- Queen Elizabeth II Medical Centre Trust

The full opinion appears in the annual report of each agency but details of each qualification are given below.

The Minister for Health in his capacity as the Deemed Board of Metropolitan Public Hospitals – Qualified opinion on financial statements, controls and KPIs

As in the previous year, controls over medical practitioners' treatment charges were deficient as there were inadequate procedures in place to ensure that all revenue from medical practitioners' treatment of private and overseas patients was brought to account. Each hospital department is responsible for generating its own medical practitioner private patient billing information and for providing that information to the Health Corporate Network so that private patients can be invoiced. However, owing to inadequate controls, many invoices were not raised for medical practitioners' treatment charges.

¹ Agencies that are audited separately but not consolidated include the universities, Government Employees Superannuation Board and other superannuation boards, the Public Trustee and agencies that hold private funds in trust or fidelity type funds. These agencies, listed in Appendix 1 to the ARSF, are excluded on the basis of ABS and Australian Accounting Standards classifications.

Although WA Health is taking action to improve its system for recording private patient billing information and also to recover outstanding accounts, during 2011-12 the controls were not adequate at all hospitals to ensure that all revenue was collected or brought to account.

Controls over the recording of emergency waiting time data used for the effectiveness KPI 'Percentage of emergency department patients seen within recommended times' were inadequate. Audit tests of samples of attendance and treatment times identified a significant number of differences between the database and source records. In addition, because of inadequate system access controls, unauthorised changes could potentially be made to waiting time data without detection. It is recognised that the EDIS system is first and foremost a medical system and not necessarily designed for reporting of performance in relation to waiting times. However because of the errors in waiting time data and the associated control weaknesses an opinion could not be formed on whether the indicator was fairly presented.

WA Country Health Service – Qualified opinion on KPIs

Controls over the initial recording of waiting time data used for the effectiveness indicator 'Percentage of emergency service patients seen within recommended times (major rural hospitals)' were inadequate. Audit tests of a sample of attendance and treatment times identified a significant number of differences between source records and the database records used for reporting the KPI. Consequently an opinion could not be formed on whether the indicator was fairly presented. The same qualified opinion was issued for 2010-11.

Housing Authority – Qualified opinion on controls

The Authority's controls over payments to maintenance contractors were not adequate to provide reasonable assurance that job maintenance orders had been satisfactorily performed before approving payment. Although the Authority implemented a sample based inspection regime during the year, sufficient samples of jobs based on risk and value were not inspected before payment.

Legal Contribution Trust – Qualified opinion on financial statements, controls and KPIs

The Legal Contribution Trust again received a qualified audit opinion on its financial statements, controls and KPIs. Sufficient audit evidence could not be obtained as to the total amount of interest receivable on solicitors' trust bank accounts and interest earned on legal practitioners' trust money for the six months ending 30 June 2012. Consequently the Trust's efficiency KPI could also not be verified.

The Trust is entitled to receive 51 per cent of all interest earned on solicitors' trust bank accounts held with financial institutions in the State of Western Australia. In certain instances the financial institutions did not remit the correct amount of interest on some solicitors' trust accounts to the Legal Contribution Trust. Management is taking steps to recover outstanding interest revenue.

Department for Communities – Qualified opinion on financial statements, controls and KPIs

The Department's controls over payments to seniors for the Cost of Living Rebate and the Safety and Security Rebate were inadequate. The Department did not have adequate controls in place to confirm the ongoing eligibility of seniors on its database to the Seniors Card. In particular, Seniors Card application forms that were processed prior to June 2004 were destroyed meaning that Audit was unable to obtain sufficient audit evidence about the eligibility of many rebate recipients. Audit was therefore unable to determine whether Grants and Subsidies expenditure in the financial statements and the number of Seniors Card holders in the KPI 'Average Cost to Administer a Seniors Card' were fairly presented. The same qualified opinion was issued for 2010-11.

Department for Child Protection – Qualified opinion on controls

The Department did not have adequate controls in place between July and December 2011 to be reasonably assured that the identity of clients receiving financial hardship assistance was established and recorded. Therefore, Audit was unable to obtain sufficient evidence about the validity of financial assistance payments.

Queen Elizabeth II Medical Centre Trust – Qualified opinion on KPIs

The Trust has not reported customer satisfaction survey results for seven key effectiveness indicators. Survey results are the approved measure for each of these indicators. Due to significant capital works on the site, the Trust sought Under Treasurer’s exemption from reporting KPI’s for 2011-12, however this was not granted. In lieu of survey results, the Trust reported qualitative statements that are not adequate effectiveness KPIs.

Matters of Significance Reported with Audit Opinions

Where a matter in relation to the financial statements or KPIs is of concern but does not warrant a qualified audit opinion, a Matter of Significance paragraph may be included with the audit opinion. In most instances the purpose is to highlight a significant matter that is not disclosed or is not apparent in the financial statements or KPIs.

Agency	Details of Matter of Significance
Department of Agriculture and Food	The <i>Biosecurity and Agriculture Management Act 2007</i> (BAM Act) requires the Western Australian Agriculture Authority’s (WAAA) activities to be regarded as services under the control of the Department. Consequently the Department has included WAAA’s income, expenses, assets and liabilities in its financial statements. This has been highlighted in the audit opinion so that readers are aware of this unique accountability arrangement and that the Department’s statements include WAAA’s transactions.
Construction Industry Long Service Leave Payments Board	The Board had an excess of liabilities over assets of \$2.7 million at 30 June 2012. This negative net assets position is mainly due to an increase of \$64.3 million in the Accrued Long Service Leave Benefits Liability at 30 June 2012 based on an actuarial valuation.
WA Country Health Service and The Minister for Health in his capacity as the Deemed Board of the Metropolitan Public Hospitals	The Metropolitan Public Hospitals and the WA Country Health Service received approval from the Under Treasurer to remove the ‘Elective Surgery Waiting Times’ KPI from their audited KPIs for the year ended 30 June 2012. The approval was conditional on the inclusion of unaudited performance information measuring elective surgery waiting times in their 2011-12 annual reports. Furthermore the elective surgery waiting times are to be reinstated as an audited KPI following the successful definition of national elective surgery waiting time indicators.

Table 2: Matters of Significance comments included with audit opinions

Qualified Opinions from the Prior Year Removed in 2011-12

The following qualifications were removed:

- **Department of Agriculture and Food – opinion on financial statements and KPIs**

For 2011-12 the operations of five special purpose accounts the Department maintains and administers were appropriately reported in the Notes to the financial statements.

The Department implemented significantly improved effectiveness KPIs during 2011-12 and the new KPIs are now considered an appropriate measure of the Department's outcomes.

- **Western Australian Land Information Authority – opinion on KPIs**

The Authority has developed a new suite of KPIs that have been approved by the Under Treasurer and assessed by Audit as relevant and appropriate. The key effectiveness indicator that resulted in the qualified opinion last year is no longer being reported.

2011-12 Financial Statement Audits of Inactive Agencies

In the previous two years five audits were dispensed with because agency operations had ceased or there was insufficient activity to justify an audit being undertaken.

During 2011-12 a final audit was conducted of the Agricultural Practices Board of Western Australia as its enacting legislation was repealed.

Audits of the financial statements of the following four agencies were completed for 2011-12 because section 14 of the AG Act precludes audits from being dispensed with for three consecutive years. KPIs were not prepared as there was no activity during the financial year.

- Department of Housing
- Landcare Trust
- State Supply Commission
- Western Australian Building Management Authority (WABMA)²

A final audit of these agencies will be performed as and when they are abolished. If however they are not abolished by 2014-15, then an audit will be required in that year despite the dormant state of the agencies.

² The Department of Finance has advised that WABMA was established to service borrowings for the capital works program of 1984-85 and Peel Health Campus in 1996. The borrowings were repaid by 2008 and WABMA has been dormant since then.

Management Issues

- **360 financial and management control weaknesses were identified in 2011-12, down from 410 last year. The number of significant issues requiring prompt attention was similar.**
- **282 information system control weaknesses were identified. The majority are simple to fix but while not resolved they leave agencies vulnerable to security incidents and disruptions to systems.**
- **KPI shortcomings reported to agencies reduced to 59 weaknesses this year compared to 79 last year.**

Responsibility for developing and maintaining adequate systems of internal control rests with agency management. These control systems reduce the risk of error and fraud and provide assurance to management and auditors that management reports and financial statements are materially correct. Maintaining adequate internal controls ensures:

- financial information and other records, including data for key performance indicators, are accurately maintained
- assets are appropriately safeguarded
- errors and other irregularities are prevented or detected
- compliance with legislation and policy guidelines
- internal and external reporting is reliable and timely.

The AG Act requires the Auditor General to audit agency accounts and, for agencies under the FM Act, to form an opinion on controls. This involves an assessment of the design of the controls and whether they have been properly implemented, and testing to see that they are working reliably. Details of our control findings are included in management letters to the Accountable Authority. Control weaknesses are ranked as either:

- **Significant** – potentially presents a significant risk to the agency if not addressed promptly. Such control weaknesses may lead to a qualified opinion, especially if carried forward from the prior reporting period
- **Moderate** – of sufficient concern to warrant action being taken as soon as practicable
- **Minor** – not of primary concern but still warrant action being taken.

Agency management is given the opportunity to review the audit findings and provide comments prior to completion of the audit. Often policies, procedures or practices are improved by management after we raise them and before the audit is completed. However, where weaknesses remain outstanding, agency responses or any action being undertaken is noted. Where weaknesses recur in following years, these are separately reported to agency management and, if significant, are considered as a basis for a qualified opinion. At the completion of each audit a copy of our management letter is sent to the responsible Minister along with the audit opinion.

While management letters relate specifically to an individual agency, the weaknesses are often common to other government agencies. The following is a summary of control weaknesses identified during 2011-12 under three headings:

- Financial and management controls
- Information system controls
- Key performance Indicators

Agencies are encouraged to consider and identify control improvements discussed in this part of the report that may be relevant to their operations.

Financial and Management Controls

During 2011-12, 80 of the 160 agencies audited had control weaknesses that need to be strengthened. These deficiencies were also brought to the attention of the responsible Ministers at the conclusion of our audits.

In total, 360 control weaknesses were identified. This was lower than in previous years, although the number of significant issues remained the same and the number of minor issues decreased markedly compared to last year. (Refer to Chart 1 below.) While minor issues are noted as ‘not of primary concern’, they indicate that agency action is warranted in order to maintain an adequate system of internal controls.

It is disappointing to note that 68 control weaknesses (19 per cent) at 24 agencies were unresolved from the prior year. The challenge for agencies is to rectify their control weaknesses as soon as possible.

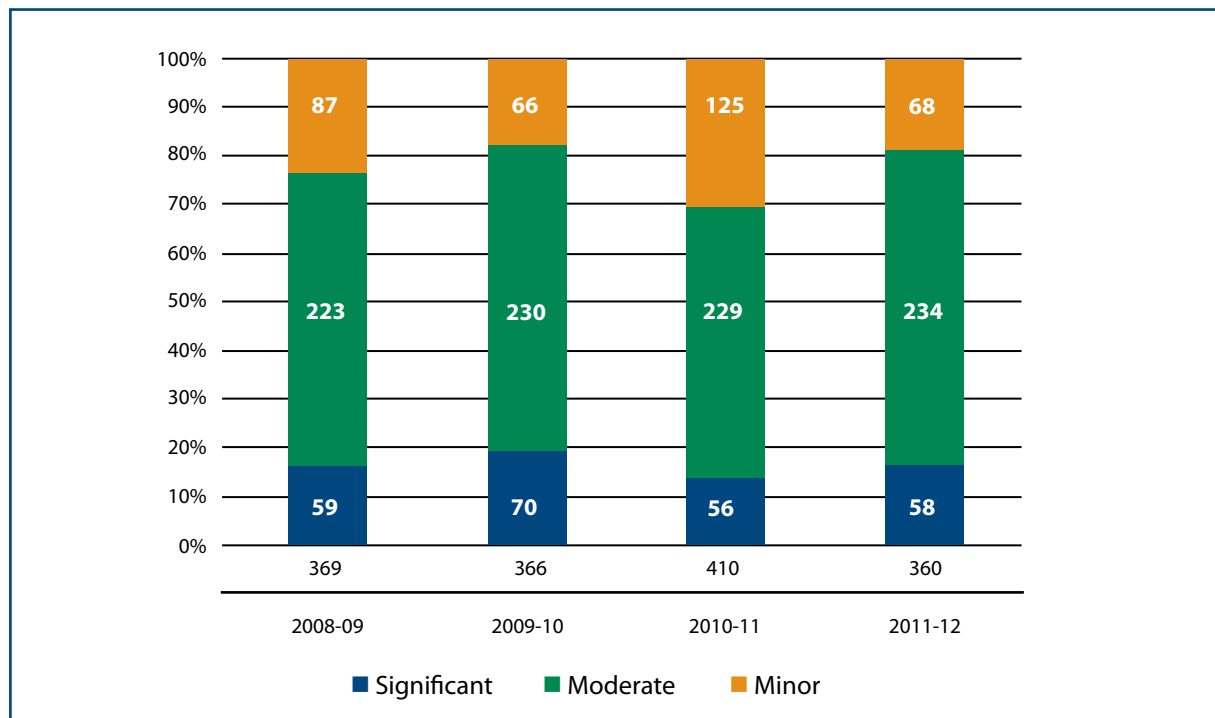


Chart 1: Breakdown of the ratings of the financial management control weaknesses reported to agencies

A breakdown of the types of control weaknesses identified in 2011-12 and the two preceding years is shown in Chart 2. Weakness in financial reporting was the only category that showed a notable trend, increasing in each of the last two years.

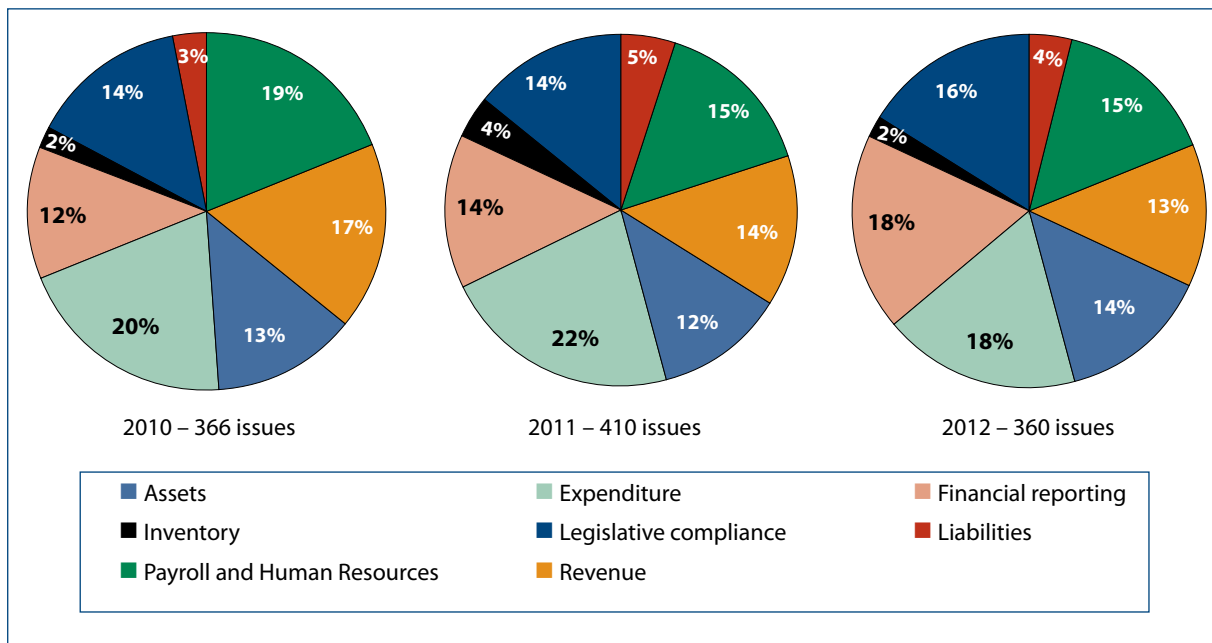


Chart 2: Financial management control weaknesses by category for the last three years

Controls relating to expenditure, financial reporting, payroll and human resources, revenue and legislative compliance had most weaknesses.

The following is a summary of control weaknesses that were identified at various agencies.

Expenditure

Sixty-four expenditure control weaknesses, including 16 on use of purchasing cards, were reported to 29 agencies in 2011-12. Twelve were rated as significant and 12 were prior year issues not resolved.

- Purchasing (credit) card control weaknesses included:
 - evidence of transactions to support purchasing card payments not submitted in a timely manner
 - supporting evidence not reviewed and signed off by a senior officer
 - signed agreements between cardholder and agency not evident to ensure cardholders understand policies and procedures for use, authorisation and processing of payments, and action to be taken when the cardholder is on leave or on resignation, retirement or termination.
- Other expenditure weaknesses included:
 - Invoices on hold resulting in payments not being processed within 30 days as required by Treasurer’s Instruction 323. Reasons included purchase orders not being raised, incorrect account codes, or incomplete documentation to support the payment. Delay in paying adversely affects suppliers and may result in additional costs or future supply problems.

- Open purchase orders not reviewed periodically to assess whether the purchase was still required.
- Officers incurring or certifying expenses beyond their approved limits.
- Officers approving expenditure when they were not authorised to do so.

Financial Reporting

Sixty-four control weaknesses in financial reporting procedures and associated policies were reported to 38 agencies. Twelve were rated as significant and five were outstanding prior year issues. These types of weaknesses included:

- Reconciliation procedures for bank accounts and subsidiary ledgers to the general ledger were not routinely actioned on a monthly or periodic basis. In some instances there was no evidence of review by an appropriate officer. This can affect the accuracy and completeness of financial reporting. Reconciliations can also be more time consuming and costly if performed a long time after the underlying transactions.
- Journal entries and accruals for end of year processing not subject to review or quality assurance processes. This can result in significant errors in an agency's year-end financial reports.

Further discussion on the need for review procedures appears on page 19 titled 'Segregation of Duties and Review Procedures'.

Payroll and Human Resources

Thirty-five agencies received reports on 55 payroll and human resource control weaknesses. Over thirty per cent (17 weaknesses) were unresolved from the prior year, and nine were rated as significant, six of these being prior year issues. These types of weaknesses included:

- Payroll cost centre reports not signed off promptly by cost centre managers nor returned prior to despatch of payroll. Inconsistent application of this key payroll control is a frequently found weakness. Further details appear on page 18.
- Notice of outgoing employees not provided promptly to others within the agency to ensure termination processes operate effectively. This may result in overpayment of salary or non-return of agency purchasing cards or attractive assets.
- Employee master file changes not routinely reviewed. This may result in an incorrect pay being calculated or payments directed to an incorrect bank account.
- Staff accumulating excessive leave balances at 10 agencies. Further information appears on page 19.

Revenue

A total of 48 revenue control weaknesses were reported to 23 agencies. Nine were rated as significant and eight were unresolved prior year issues. These types of weaknesses included:

- Debt recovery procedures not routinely conducted or not timely. This can lead to increasing non-recoverable revenue from clients or customers or bad debts.
- Inadequate revenue collection and reconciliation procedures, including segregation of duties. This can result in loss of revenue or fraud.
- Incorrect revenues collected or invoiced as price increases were not approved or discounts not appropriately authorised.

Legislative Compliance

Fifty-six issues with legal compliance were reported to 33 agencies. Seven were rated as significant and fourteen were prior year issues. These types of weaknesses included:

- Risk management registers that either did not exist or were not up to date. As a consequence, management or staff may not be fully conversant with business risks or challenges their agency may face.
- Internal audit or audit committee operations did not provide an appropriate level of corporate governance scrutiny of agency functions. This may lead to opportunities for error and fraud as control procedures are not operating effectively.
- Financial management manuals were not up to date or did not reflect current policies and procedures. Consistent administration of policies and procedures ensures an agency's operations and financial management practices are routinely and continuously applied by all staff including new and temporary staff.
- Service level agreements with service providers or agencies were out of date or non-existent.

Assets

Fifty-one control weaknesses relating to fixed assets and property were reported to 29 agencies. Seven were rated as significant and eight were prior year issues not resolved. These weaknesses included:

- Asset registers not up to date or not detailed enough to identify assets or their location, assets not marked with unique numbers, and additional items or completed works in progress not reported for updating the asset register. Incomplete asset records can result in undetected misappropriation or inaccurate financial reporting.
- Asset stocktake not completed periodically, not reconciled to the asset register and not used to identify assets that are no longer required and potentially saleable.
- Disposal of assets not recorded because appropriate written notice was not submitted to update the asset register immediately the disposal was completed.

Across Sector Control Improvements

Three areas of control weakness were prevalent across many agencies.

- Cost Centre Managers' Review and Return of Fortnightly Payroll Reports
- Segregation of Duties and Review Procedures
- Excessive Leave Balances

Cost Centre Managers' Review and Return of Fortnightly Payroll Reports

During 2011-12, twelve agencies did not routinely comply with Treasurer's Instruction 506(7) which states that:

'Appropriate controls shall be established that ensure the accuracy and validity of pay records. These shall include the certification of pay records, by designated officers, that the employees to be paid are entitled to receive payment.'

At 12 agencies the controls were not always applied and/or the certification was not done in a timely manner.

As payroll forms a major part of most agencies' costs of operation, it is essential that payroll controls are effective. A key control is that cost centre managers receive, review and sign off the payroll report for their cost centre and return it to the payroll or finance department in a timely manner. Although cost centre managers are not expected to identify every detailed error in the payroll, these managers are best placed to identify any significant errors. These may include over-payments to staff who are on leave without pay, have recently ceased acting on higher duties or are no longer employed. Ultimately, this review by cost centre managers should be completed before the payroll is paid to employees.

Segregation of Duties and Review Procedures

We found insufficient segregation of duties and/or independent review of transactions for a variety of accounting processes. These included collection and banking of revenue, changes to supplier and employee master files, journal entries and review of reconciliations between subsidiary ledgers and the general ledger.

Sound financial controls require segregating key accounting roles between various responsible staff members. This reduces the risk of errors or fraud. Where agencies are unable to achieve satisfactory segregation of duties, sometimes due to small staff numbers, management needs to implement compensating controls, which may include increased management oversight.

Timely reviews performed and evidenced by an independent staff member reduce the risk of undetected errors and ensure the accuracy of the records of the agency.

Excessive Leave Balances

Ten agencies were advised that management needs to develop and enforce leave management policies that reduce and actively manage excessive leave balances.

At most of these agencies, several staff had very high leave balances. In addition to the adverse impact of excessive financial liabilities, this can indicate over-reliance on key individuals. This over-reliance can result in business interruption when the employee leaves the agency. Failure to take leave can also mask fraud.

Recommendation

Agencies should continuously maintain the integrity of their financial control environment and accuracy of financial reporting. This should include:

- **ensuring that there is ongoing review and improvement of internal control systems**
- **that control weaknesses brought to their attention by Audit are addressed promptly.**

Information Systems (IS) Controls

Information systems underpin most aspects of agency and government operation and services. It is therefore vital that agencies implement appropriate controls to maintain reliable, secure and resilient information systems.

Audits of general computer controls are a major part of the information systems work we undertake. Well implemented general computer controls ensure reliable and secure processing of financial and key performance information. We focus our computer audit capacity on those agencies with significant computer environments to determine whether their controls are appropriately designed and operating effectively.

In 2011-12, 282 weaknesses were identified compared with last year's total of 246, an increase of 15 per cent. Ten of these issues were rated as significant and warranted immediate attention. The other 272 issues (96 per cent) were rated as moderate or minor, and could be resolved by implementing better IS management practices for little cost. Most of the weaknesses we identified related to information security, and while they are relatively simple to fix, if not resolved they leave agencies potentially vulnerable to significant disruption and costs.

A more detailed report on the results of our information system audits is planned for early 2013. The report will consolidate the results of audits of agencies with a 30 June 2012 reporting date with upcoming work on agencies with a 31 December 2012 reporting date.

Key Performance Indicators (KPIs)

As reported on page 10 to 12, five agencies received qualified opinions on their KPIs. In total 22 agencies were advised of a total of 59 areas where KPIs should be improved.

Comparative Data on KPIs	2009-10	2010-11	2011-12
Number of agencies with reported KPI weaknesses	20	26	22
Number of KPI weaknesses reported	45	79	59
Significant KPI weaknesses reported	6	29	29
Number of agencies with qualified KPI opinions	4	5	5

Table 3: Summary of KPI weaknesses reported to agencies

There was a reduction in KPI weaknesses reported to agencies compared to last year.

Data collection and integrity was the most commonly identified KPI control area needing improvement over the last three years. However, it was pleasing to note the decline over the last two years in weaknesses related to KPI targets. Refer Chart 3.

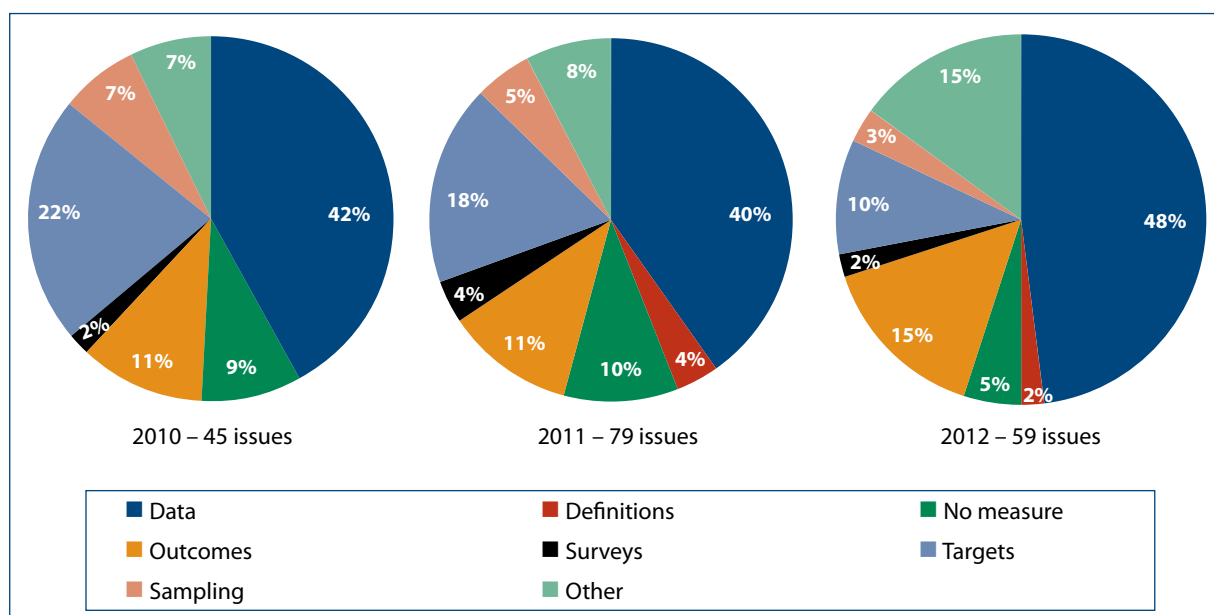


Chart 3: Weaknesses relating to KPIs for last three years

The main KPI weaknesses reported to management related to data.

Data

Twenty-eight control weaknesses relating to data collection and integrity were reported to 15 agencies. Eleven were rated as significant. These included: data being incorrectly recorded, not accurate or not easily verifiable; insufficient data being collected; or data not being collected for the full period of review.

Many of the other KPI issues identified were similar to those reported in my report *Beyond Compliance: Reporting and Managing KPIs in the Public Sector*, Report 3, April 2012.

Presentation of Comparative Information

Many agencies only present one prior year of comparative information for their KPIs. Better practice is to present three or four years of information so that users gain an understanding of performance trends over time.

Implementing changes to KPIs

In line with continuous improvement principles, agencies are encouraged to periodically revise their KPIs so that they continue to represent their current operations and best practice in reporting.

However in 2011-12, five agencies prepared revised KPIs which differed from the budget approved KPIs and were not approved for reporting in 2011-12. The Under Treasurer had approved the reporting of the revised KPIs in 2012-13 which would then align them with the published agency budget for that year. Correcting this situation and returning to the previous KPIs, or obtaining the necessary Under Treasurer's approval to report them in 2011-12, required the agencies to take urgent last minute action.

Recommendations

Agencies should include multiple years of comparative KPI performance information wherever possible.

All agencies should review their KPIs on a periodic basis to ensure that they remain relevant, appropriate and fairly present performance against realistic targets.

Agencies should only report KPIs that differ from the approved Budget if the revision has been approved by the Under Treasurer for the particular reporting period.

Quality and Timeliness of Financial Reporting

- 54 per cent of agencies demonstrated efficiency in their year-end processes by being audit ready within 20 days of year-end. Last year 49 per cent were audit ready by the same time.
- The top 40 'Best Practice' agencies across two categories are acknowledged for timeliness in their financial reporting, good financial controls and reporting practices.

Quality

The quality of agency financial statements, KPIs and supporting working papers provided for audit has a direct bearing on the timeliness and cost of the audit.

Various best practice initiatives can be implemented by agencies to improve the quality of their financial reporting. To generate reliable financial reports, initiatives can be undertaken before and after the end of each financial year.

Before year-end, agencies need to:

- Prepare a project plan of human and financial resources, assign responsibilities for tasks and set timeframes for financial reporting
- Identify and review changes to accounting standards and reporting requirements and confirm the approach to any changes with Audit
- Determine the form and content of their KPIs and obtain necessary approvals from Treasury.
- Prepare pro-forma financial reports, including all comparative information that can be reviewed by Audit well in advance of the final audit visit.

After year-end:

- Analyse variations between actual and budget as well as previous year results to identify and correct omissions and/or errors.
- Ensure managers with sign off responsibility for components of the financial report do so as per the established timetable.
- Ensure the draft financial report has received an internal quality assurance review, preferably by internal audit or other independent, suitably qualified professionals.

The quality of financial statements and KPIs submitted by agencies for audit was similar to the previous year with no discernible overall improvement and avoidable errors remaining high at many agencies. Agencies need to apply the above principles so that errors are reduced.

Timeliness

There was again significant improvement in the number of agencies submitting their financial statements for audit within 20 days of year-end. It was again particularly pleasing to note the improved timeliness of some agencies that prepare relatively complex financial statements.

Being ready for audit as soon as possible after year-end enables agencies to release resources for other important financial management tasks, thereby improving the overall efficiency and financial management of the public sector.

The date when each agency was 'Audit Ready' is reported in Appendix 1 (commencing on page 29) while Chart 4 below summarises the improvement over the last four years.

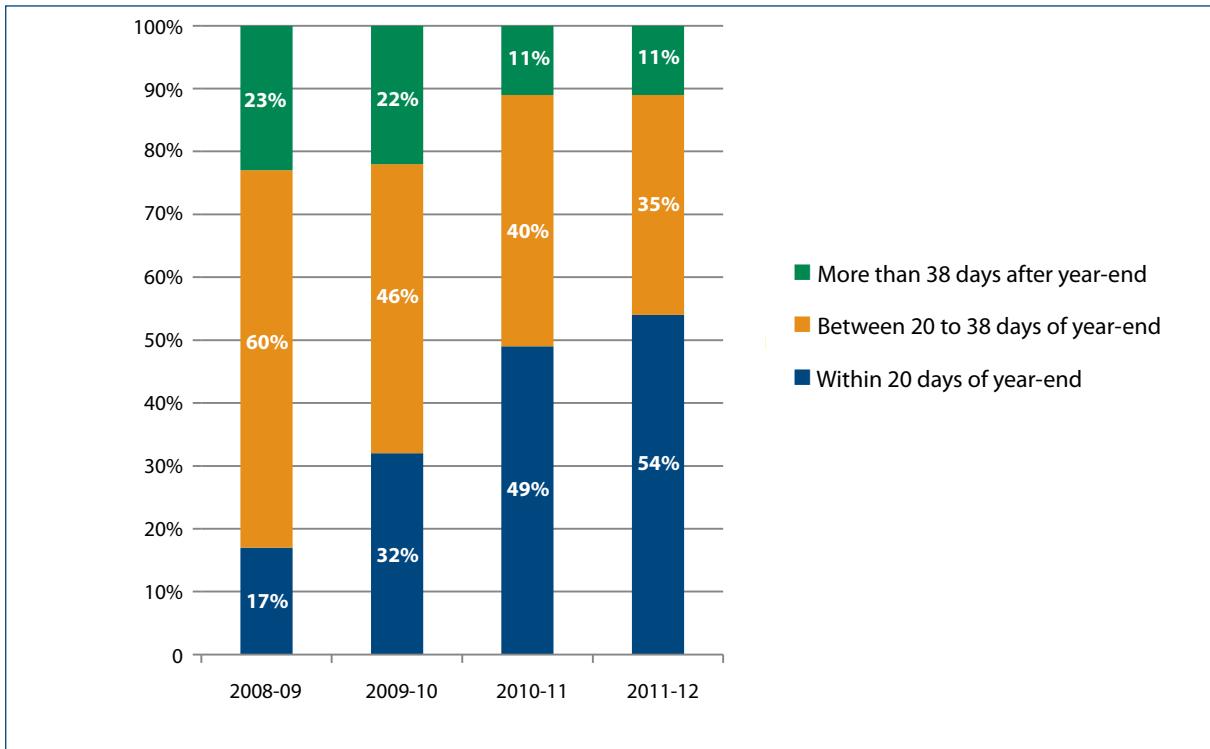


Chart 4: Percentage of agencies 'Audit Ready' within three time brackets for last four years

Best Practice Agencies

In 2003, we identified and reported for the first time on those agencies that we rated as better practice for their financial reporting and financial controls. This was done as a way of encouraging improved performance. Feedback and statistics indicate that it has been a great success. Since 2003, the number of agencies assessed as better practice has risen from 16 to 82 in 2011 (54 per cent of June reporting agencies).

We are now raising the bar higher. Our revised reporting format in 2012 introduces the concept of 'best practice' whereby we only recognise the top 20 large and top 20 small agencies (Table 4). But our criteria remain the same. They are:

- clear opinion on financial statements, controls and key performance indicators
- audit ready early, ideally no later than 20 days after financial year-end
- good quality financial statements and key performance indicators, supported by reliable working papers and submitted for audit within the agreed timeframe
- management resolution of accounting standards and presentation issues
- key staff available during the audit process
- assessment of the number and significance of control weaknesses raised in management letters.

Best Practice Top 20 Large Agencies	Best Practice Top 20 Small Agencies
Construction Industry Long Service Leave Payments Board	Animal Resources Authority
Department of the Attorney General	Art Gallery of Western Australia, Board of
Department of Culture and the Arts	Botanic Gardens and Parks Authority
Department of Mines and Petroleum	Chemistry Centre (WA)
Department of Planning	Dampier Port Authority
Department of State Development	Department of Education Services
Department of the Premier and Cabinet	Department of Racing, Gaming and Liquor
Department of Training and Workforce Development	Department of the Registrar, Western Australian Industrial Relations Commission
Disability Services Commission	Economic Regulation Authority
Electricity Retail Corporation – Synergy	Goldfields-Esperance Development Commission
Fremantle Port Authority	Great Southern Development Commission
Government Employees Superannuation Board	Library Board of Western Australia
Insurance Commission of Western Australia	Metropolitan Cemeteries Board
Lotteries Commission	Parliamentary Commissioner for Administrative Investigations
Port Hedland Port Authority	ScreenWest Inc
Water Corporation	Small Business Development Corporation
Western Australian Alcohol and Drug Authority	Western Australian Energy Disputes Arbitrator
Western Australian Land Authority	Western Australian Health Promotion Foundation
Western Australian Sports Centre Trust	Workcover Western Australia Authority
Western Australian Treasury Corporation	Zoological Parks Authority

Table 4: Top 20 best practice agencies in two expenditure categories for 2011-12

Other Financial Reporting and Audit Issues

- **Tabling of annual Statements of Corporate Intent (SCI) after the commencement of the financial year to which they relate continues, with some not tabled at all. At 30 September 2012, SCIs for 12 of the 23 agencies required to produce SCIs had not been tabled for 2012-13.**
- **A number of agencies who received resources free of charge from other agencies disputed the value, believing that it was overstated. Agreement on the value should be reached between the receiver and provider of the resources prior to year-end.**

This part of the report details issues of current significance and legislative compliance:

- Statements of Corporate Intent
- restructure of agencies
- shared service arrangements
- resources provided or received free of charge
- reduced disclosure requirements.

Statements of Corporate Intent

Tabling of annual Statements of Corporate Intent (SCI) after the beginning of the financial year to which they relate, continues, with some SCIs not tabled at all. At 30 September 2012, SCIs for 12 out of 23 agencies had not been tabled for 2012-13.

SCIs are a form of annual agreement between government and those agencies which operate at arm's length from government. SCIs are therefore an important governance and accountability mechanism.

Agencies are required by their Act or regulations to draft the annual SCI for agreement with their Minister and the Treasurer. Negotiations can be part of the agreement process between the agency, the Minister and the Treasurer but the Minister is responsible for ensuring that the SCI is tabled in Parliament within 14 days of it being agreed.

Tabling requirements vary slightly but generally SCIs are either required or expected to be tabled before the commencement of the financial year or early in the financial year to which they relate. Where the Minister has not agreed or the Treasurer has not concurred then the latest draft SCI takes effect. However, tabling of the SCI would not take place until full agreement is reached.

The contents of SCIs can vary with agency legislation but generally they include:

- outline of objectives and major planned achievements for the next financial year
- nature and scope of functions proposed to be performed during that year
- performance targets and other measures by which performance may be judged
- outline of capital expenditure, proposed borrowings, pricing arrangements and dividend policy
- accounting policies that apply to the preparation of financial statements
- types of information to be given to the Minister, including periodic and annual reporting
- nature and extent of community service obligations to be performed, costing and funding of these activities and any compensation arrangements
- other matters agreed on by the Minister and the board.

Table 5 shows the dates that SCIs were tabled in Parliament and highlights SCIs that were tabled before commencement of the financial year to which they relate.

	2012-13 SCI tabled	2011-12 SCI tabled
CORPORATISED ENTITIES		
Horizon Power - Regional Power Corporation	14/08/2012	Not tabled
Synergy – Electricity Retail Corporation	14/08/2012	08/09/2011
Verve Energy – Electricity Generation Corporation	14/08/2012	08/09/2011
Water Corporation	27/09/2012	28/09/2011
Western Australian Land Authority (Landcorp)	Not tabled	18/10/2011
Western Power - Electricity Networks Corporation	Not tabled	08/09/2011
STATUTORY AUTHORITIES		
Chemistry Centre (WA)	28/02/2012	21/09/2011
Forest Products Commission	Not tabled	31/08/2011
Gold Corporation	28/06/2012	30/06/2011
Government Employees Superannuation Board	27/09/2012	20/09/2011
Insurance Commission of Western Australia	Not tabled	Not tabled
Lotteries Commission	28/06/2012	28/09/2011
Racing and Wagering Western Australia	07/08/2012	09/08/2011
Western Australian Land Information Authority (Landgate)	29/08/2012	21/06/2011
Western Australian Treasury Corporation	25/09/2012	09/08/2011
PORT AUTHORITIES		
Albany Port Authority	Not tabled	18/09/2012
Broome Port Authority	Not tabled	18/09/2012
Bunbury Port Authority	Not tabled	18/09/2012
Dampier Port Authority	Not tabled	18/09/2012
Esperance Port Authority	Not tabled	Not tabled
Fremantle Port Authority	Not tabled	Not tabled
Geraldton Port Authority	Not tabled	18/09/2012
Port Hedland Port Authority	Not tabled	18/09/2012

Source: Parliament – Tabled Papers

Table 5: Statements of Corporate Intent tabled in Parliament by 30 September 2012

The 2012-13 SCIs of 12 out of 23 agencies had not been tabled in Parliament.

Audit results reports since Report 10, December 2000 have reported this issue for the increasing number of agencies required to prepare SCIs. Non-tabling of SCIs has been reported each year.

Last year in Report 10, November 2011, we advised that the Department of Treasury (Treasury) was coordinating two separate (but related) projects that were considering ways of improving the quality and compliance of SCIs with legislative requirements. In August 2012, the Treasury provided the following update, though no timeframe or deadlines were given:

‘Due to the Treasurer’s concurrence role, the Department of Treasury observes the variability of content and approval processes of SCIs across different agencies. For this reason, Treasury is coordinating a review of the SCI process in collaboration with government departments that support portfolio Ministers in this role. This review is examining the underlying reasons for non-compliance with legislative requirements and has the objective of providing appropriate incentives to ensure SCIs are tabled in Parliament within legislated time frames. This review is being undertaken as part of a wider investigation into the implementation of umbrella legislation for government enterprises, which was a recommendation of the Economic Audit Committee Report.’

Recommendations

That Statements of Corporate Intent be tabled within timeframes required by the relevant legislation and in any event by the start of the financial year to which they relate.

Treasury give greater priority to completing the review of the SCI process.

Restructure of Agencies

During 2011-12 there were several amalgamations that impacted on agencies’ financial reporting. Final audits were completed for the abolished agencies. Where necessary, conversion of data and balances to the new agencies was confirmed for completeness and accuracy and the control environment was assessed for changes made to accommodate the revised structure of the agencies.

Former agencies	Agency now responsible
Department of Treasury and Finance	Disaggregated from 1 July 2011 into Department of Treasury and Department of Finance
Armadale Redevelopment Authority East Perth Redevelopment Authority Midland Redevelopment Authority Subiaco Redevelopment Authority	Amalgamated and became the Metropolitan Redevelopment Authority from 31 December 2011
Real Estate and Business Agents Supervisory Board Settlement Agents Supervisory Board	Responsibility for regulation of the real estate and settlement industries transferred to the Department of Commerce from 1 July 2011
Curriculum Council	School Curriculum and Standards Authority from 1 March 2012
Office of Energy	Responsibilities transferred to Department of Finance from 1 April 2012

Table 6: Agencies restructured during 2011-12

Shared Service Arrangements

From 1 July 2011 the former Department of Treasury and Finance Shared Services Centre became a business unit of the newly formed Department of Finance (Finance). Its operations then commenced being decommissioned following the Government’s acceptance of recommendations by the Economic Regulation Authority. Finance’s Decommissioning Office’s role is to manage the program to decommission agencies from Shared Services. Finance currently expects all agencies to be decommissioned by 31 December 2013.

As finance and human resources processes move to agency control, existing responsibilities and accountabilities will change. Agencies will need to ensure that an adequate system of internal control over transactions is maintained during the transition period. Agencies will also need to confirm the completeness and accuracy of the data conversion and balances to their internal systems.

Our audits will include an assessment of each agency's data conversion and revised control environment as they become independent of Shared Services.

Resources Provided or Received Free of Charge

There was a notable increase in the number of agencies that struggled to report reliable estimates of the resources they provided to, or received from other agencies.

Several agencies provide resources free of charge to other agencies. These normally include staff who perform administrative or operational duties, IT resources and office accommodation. This is a sound, efficient way of sharing government resources without the overheads of exchanging invoices and payments.

Agencies that receive resources free of charge include the estimated value in the annual financial statements under the 'Revenue from Government' category with a corresponding amount in expenses in the statement of comprehensive income. Agencies providing the resources only include a disclosure in the Notes to their statements. There is consequently no impact on the surplus or deficit of either agency. Nevertheless, estimates of these resources need to be reliable.

During this year's audits a number of agencies receiving resources free of charge disputed the value, believing that it was overstated. Resolution took some time and delayed the completion of the audits.

Recommendation

Agencies that receive resources free of charge from another agency should agree the estimated value of those resources with the provider before year-end.

Reduced Disclosure Requirements (RDR)

Many agencies are small and medium in size but are still required to prepare a substantial financial report. Subsequently these reports require auditing.

I have previously expressed the view that for these agencies the value of such detailed reports is not commensurate with the effort that is required to produce and audit them.

In July 2010, the AASB released two new standards that provide for reduced disclosure – AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards Arising from Reduced Disclosure Requirements.

Treasury is currently considering the costs and risks of implementing the RDR. Treasury has advised that they are monitoring progress on this issue through discussions with the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) and are considering changes in disclosure requirements for small agencies through the review of the FM Act. We are liaising with Treasury on these developments.

Appendix 1: Summary of Audit Opinions

Audit opinions issued for 161 audits completed between 1 May 2012 and 29 October 2012, primarily for agencies with 30 June and 31 July 2012 reporting dates, are summarised below. The audit opinion is issued to the responsible Minister for each government agency and is printed in full in the agency's annual report. The annual report is tabled in Parliament by the Minister and also normally posted on the agency's website.

Results of annual audits of government agencies and other entities are tabulated in two categories:

The Legislature – This category includes the results of the audits of the three parliamentary departments.

Ministerial Portfolios – The government of the day assigns responsibility for the administration of government agencies to individual Ministers. The results of audits conducted under the AG Act and agencies' enabling legislation are reported on this basis. The following tables are based on the ministerial responsibilities at 26 July 2012.

Key to Table of Audit Opinions

The table lists each agency audited and the date their opinion on financial statements and, if applicable, controls and performance indicators was issued. Qualified opinions or any other notes appear against the agency's name. Where the opinion relates to financial statements only, a '❖' appears in the final column.

Agencies' names are listed alphabetically without 'The' in their statutory names.

The 'Audit Ready' column relates to the date that the agency provided their financial statements that were substantially complete and of sufficient quality for the audit to commence. Refer to Timeliness on page 22. Agencies' timeliness is rated as follows:

Agency's Submission Date	Rating	Colour Coding
On or before Thursday 19 July 2012	Good	Green
By Friday 3 August 2012	Satisfactory	Yellow
After 3 August 2012	Needs Improvement	Red

Table 7: Rating codes for timeliness / audit readiness used in Appendix 1

Ratings are not reported for the Annual Report on State Finances, request audits, cemetery boards and final audits of abolished agencies. These are marked as 'N/A' in the 'Audit Ready' column.

The Legislature

Parliamentary Departments

Audit Ready	Agency	Opinion Issued
19/07/2012	Department of the Legislative Assembly	18/09/2012
19/07/2012	Department of the Legislative Council	18/09/2012
20/07/2012	Parliamentary Services Department	18/09/2012

Ministerial Portfolios

Premier; Minister for State Development

Audit Ready	Agency	Opinion Issued
13/07/2012	Department of State Development	11/09/2012
16/07/2012	Department of the Premier and Cabinet	17/09/2012
03/08/2012	Gold Corporation	14/09/2012
19/07/2012	Governor's Establishment	17/09/2012
16/07/2012	Lotteries Commission	20/08/2012
16/07/2012	Parliamentary Commissioner for Administrative Investigations	07/08/2012
03/08/2012	Public Sector Commission	07/09/2012

Deputy Premier; Minister for Health; Tourism

Audit Ready	Agency	Opinion Issued
16/07/2012	Animal Resources Authority	09/08/2012
25/07/2012	Department of Health	21/09/2012
16/07/2012	Health and Disability Services Complaints Office	17/08/2012
06/09/2012	Local Health Authorities Analytical Committee	24/09/2012
25/07/2012	Minister for Health in his capacity as the Deemed Board of the Metropolitan Public Hospitals <i>(Qualified opinion on controls and KPIs. Details page 10. Opinion included a Matter of Significance. Details page 12.)</i>	21/09/2012
16/07/2012	Quadriplegic Centre Board	17/09/2012
20/07/2012	Queen Elizabeth II Medical Centre Trust <i>(Qualified opinion on KPIs. Details page 12.)</i>	21/09/2012
27/07/2012	Rottneest Island Authority	19/09/2012
30/07/2012	WA Country Health Service <i>(Qualified opinion on KPIs. Details page 11. Opinion included a Matter of Significance. Details page 12.)</i>	20/09/2012
17/07/2012	Western Australian Health Promotion Foundation	06/08/2012
19/07/2012	Western Australian Tourism Commission	17/09/2012

Minister for Mines and Petroleum, Fisheries; Electoral Affairs

Audit Ready	Agency	Opinion Issued
02/08/2012	Coal Industry Superannuation Board	14/09/2012
26/07/2012	Coal Miners' Welfare Board of Western Australia	13/09/2012
24/07/2012	Department of Fisheries	14/09/2012
30/07/2012	Department of Mines and Petroleum	12/09/2012
03/08/2012	Minerals and Energy Research Institute of Western Australia	21/09/2012
16/08/2012	Western Australian Electoral Commission	07/09/2012

Minister for Regional Development; Lands

Audit Ready	Agency	Opinion Issued
27/07/2012	Department of Regional Development and Lands	14/09/2012
29/08/2012	Gascoyne Development Commission	12/09/2012
30/07/2012	Goldfields-Esperance Development Commission	06/09/2012
24/07/2012	Great Southern Development Commission	06/09/2012
13/08/2012	Kimberley Development Commission	14/09/2012
20/08/2012	Mid West Development Commission	19/09/2012
30/07/2012	Peel Development Commission	14/09/2012
06/08/2012	Pilbara Development Commission	12/09/2012
10/08/2012	South West Development Commission	05/09/2012
16/07/2012	Western Australian Land Authority ❖	31/08/2012
19/07/2012	Western Australian Land Information Authority	07/09/2012
06/08/2012	Wheatbelt Development Commission	12/09/2012

Treasurer; Minister for Transport; Emergency Services

Audit Ready	Agency	Opinion Issued
24/07/2012	Albany Port Authority ❖	04/09/2012
N/A	Annual Report on State Finances ❖	21/09/2012
30/08/2012	Broome Port Authority ❖	18/09/2012
23/07/2012	Bunbury Port Authority ❖	31/08/2012
19/07/2012	Commissioner of Main Roads	22/08/2012
13/07/2012	Dampier Port Authority ❖	17/09/2012
31/07/2012	Department of Transport	19/09/2012
19/07/2012	Department of Treasury	12/09/2012
16/07/2012	Economic Regulation Authority	02/08/2012
16/07/2012	Esperance Port Authority ❖	24/09/2012
19/07/2012	Fire and Emergency Services Authority of Western Australia	19/09/2012
03/08/2012	Fire and Emergency Services Superannuation Board	21/09/2012
16/07/2012	Fremantle Port Authority ❖	31/08/2012
07/08/2012	Geraldton Port Authority ❖	20/09/2012
06/08/2012	Government Employees Superannuation Board	07/09/2012
N/A	Subsidiary: GESB Wealth Management Pty Ltd ❖	31/08/2012
27/07/2012	Insurance Commission of Western Australia	18/09/2012
19/07/2012	Port Hedland Port Authority ❖	12/09/2012
01/08/2012	Public Transport Authority of Western Australia	17/09/2012
27/07/2012	State Government Insurance Corporation (Final Audit)	29/08/2012
09/08/2012	Western Australian Coastal Shipping Commission	17/09/2012
16/07/2012	Western Australian Treasury Corporation	27/08/2012
Request Audits – Audits requested by the Treasurer under the Auditor General Act 2006 do not have a statutory date for submitting financial statements.		
N/A	Director of Legal Aid and Others in Trust	No opinion
N/A	South West Cogeneration Joint Venture ❖	Audit in progress
N/A	Tertiary Institutions Service Centre (Inc) ❖	28/09/2012

❖ Opinion relates to financial statements only

Minister for Finance; Commerce; Small Business

Audit Ready	Agency	Opinion Issued
16/07/2012	Construction Industry Long Service Leave Payments Board <i>(Opinion included a Matter of Significance. Details page 12.)</i>	31/08/2012
03/08/2012	Department of Commerce	21/09/2012
19/07/2012	Department of Finance	12/09/2012
12/07/2012	Department of the Registrar, Western Australian Industrial Relations Commission	25/07/2012
16/07/2012	Small Business Development Corporation	27/08/2012
08/08/2012	State Supply Commission	17/08/2012
06/07/2012	Western Australian Building Management Authority ❖	20/07/2012
16/07/2012	WorkCover Western Australia Authority	03/09/2012

Minister for Planning; Culture and the Arts; Science and Innovation

Audit Ready	Agency	Opinion Issued
16/07/2012	Board of the Art Gallery of Western Australia	23/08/2012
16/07/2012	Chemistry Centre (WA)	14/09/2012
16/07/2012	Department of Culture and the Arts	06/09/2012
27/07/2012	Department of Planning	31/08/2012
16/07/2012	Library Board of Western Australia	06/09/2012
03/08/2012	Metropolitan Redevelopment Authority	27/08/2012
01/08/2012	Perth Theatre Trust	06/09/2012
16/07/2012	ScreenWest Inc	16/08/2012
16/07/2012	Swan Bells Foundation Incorporated	22/08/2012
03/08/2012	Western Australian Museum	06/09/2012
23/07/2012	Western Australian Planning Commission	20/08/2012

Minister for Sport and Recreation; Racing and Gaming

Audit Ready	Agency	Opinion Issued
16/07/2012	Burswood Park Board	24/08/2012
13/07/2012	Department of Racing, Gaming and Liquor	17/09/2012
16/07/2012	Department of Sport and Recreation	30/08/2012
13/07/2012	Gaming and Wagering Commission of Western Australia	17/09/2012
16/07/2012	Professional Combat Sports Commission	12/09/2012
16/08/2012	Racing and Wagering Western Australia (01/08/2011 – 31/07/2012)	18/10/2012
13/07/2012	Racing Penalties Appeal Tribunal of Western Australia	17/09/2012
12/09/2012	Western Australian Greyhound Racing Association (01/08/2011 – 31/07/2012)	19/10/2012
13/07/2012	Western Australian Institute of Sport	10/09/2012
16/07/2012	Western Australian Sports Centre Trust	20/09/2012

❖ Opinion relates to financial statements only

Minister for Education; Energy; Indigenous Affairs

Audit Ready	Agency	Opinion Issued
19/07/2012	Aboriginal Affairs Planning Authority	17/09/2012
31/07/2012	Country High School Hostels Authority	19/09/2012
N/A	Curriculum Council ❖ (Final Audit 01/07/2011 – 29/02/2012)	09/05/2012
19/07/2012	Department of Education	17/09/2012
16/07/2012	Department of Education Services	13/09/2012
19/07/2012	Department of Indigenous Affairs	17/09/2012
16/07/2012	Electricity Generation Corporation – Verve Energy ❖	31/08/2012
14/07/2012	Electricity Networks Corporation – Western Power ❖	28/09/2012
09/07/2012	Electricity Retail Corporation – Synergy ❖	29/08/2012
16/07/2012	Independent Market Operator ❖	26/09/2012
N/A	Office of Energy ❖ (Final Audit 01/07/2011 – 31/03/2012)	29/05/2012
03/08/2012	Regional Power Corporation – Horizon Power ❖	06/09/2012
10/07/2012	School Curriculum and Standards Authority (from 01/03/2012)	14/09/2012
12/07/2012	Trustees of the Public Education Endowment Trust	21/09/2012
16/07/2012	Western Australian Energy Disputes Arbitrator	02/08/2012

Minister for Child Protection; Community Services; Seniors and Volunteering; Women's Interests; Youth

Audit Ready	Agency	Opinion Issued
19/07/2012	Department for Child Protection <i>(Qualified opinion on controls. Details page 12.)</i>	24/08/2012
13/08/2012	Department for Communities <i>(Qualified opinion on financial statements, controls and KPIs. Details page 11.)</i>	20/09/2012

Minister for Local Government; Heritage; Citizenship and Multicultural Interests

Audit Ready	Agency	Opinion Issued
03/08/2012	Department of Local Government	07/09/2012
30/07/2012	Heritage Council of Western Australia	06/09/2012
16/07/2012	Metropolitan Cemeteries Board	31/08/2012
31/07/2012	National Trust of Australia (W.A.)	20/09/2012

Cemetery Board Audits

Cemetery Boards audited under the Cemeteries Act do not have a statutory date for submitting financial statements.

N/A	Geraldton Cemetery Board ❖ for year-ended 30/06/2011	23/07/2012
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The audits of the cemetery boards for 2011-12 are in progress.

❖ Opinion relates to financial statements only

Minister for Agriculture and Food; Forestry; Housing

Audit Ready	Agency	Opinion Issued
N/A	Agricultural Practices Board of Western Australia ❖ (Final Audit 01/07/2011 – 07/12/2011)	23/07/2012
27/08/2012	Agricultural Produce Commission	14/09/2012
19/07/2012	Country Housing Authority	31/08/2012
03/08/2012	Department of Agriculture and Food (Opinion included a Matter of Significance. Details page 12.)	25/09/2012
26/07/2012	Department of Housing	13/08/2012
07/08/2012	Forest Products Commission	20/09/2012
19/07/2012	Housing Authority (Qualified opinion on controls. Details page 11.)	19/09/2012
	Subsidiaries:	
N/A	Homeswest Loan Scheme Trust ❖	31/08/2012
N/A	Keystart Bonds Limited ❖	31/08/2012
N/A	Keystart Housing Scheme Trust ❖	31/08/2012
N/A	Keystart Loans Limited ❖	31/08/2012
N/A	Keystart Support Trust ❖	31/08/2012
13/07/2012	Landcare Trust ❖	20/07/2012
19/07/2012	Perth Market Authority	20/09/2012
26/07/2012	Potato Marketing Corporation of Western Australia	19/09/2012
23/08/2012	Rural Business Development Corporation	14/09/2012
19/07/2012	Western Australian Meat Industry Authority	19/09/2012

Minister for Environment; Water

Audit Ready	Agency	Opinion Issued
16/07/2012	Botanic Gardens and Parks Authority	13/09/2012
03/08/2012	Bunbury Water Board	06/09/2012
21/08/2012	Busselton Water Board	06/09/2012
21/08/2012	Department of Environment and Conservation	21/09/2012
16/07/2012	Department of Water	21/09/2012
26/07/2012	Keep Australia Beautiful Council (WA)	26/09/2012
25/07/2012	Office of the Environmental Protection Authority	21/09/2012
27/07/2012	Swan River Trust	21/08/2012
10/07/2012	Water Corporation ❖	20/08/2012
16/07/2012	Zoological Parks Authority	06/09/2012

Minister for Mental Health; Disability Services

Audit Ready	Agency	Opinion Issued
16/07/2012	Disability Services Commission	13/09/2012
19/07/2012	Mental Health Commission	07/09/2012
16/07/2012	Western Australian Alcohol and Drug Authority	18/09/2012

❖ Opinion relates to financial statements only

Attorney General

Audit Ready	Agency	Opinion Issued
13/07/2012	Commissioner for Children and Young People	22/08/2012
02/08/2012	Commissioner for Equal Opportunity	18/09/2012
16/07/2012	Corruption and Crime Commission	21/09/2012
16/07/2012	Department of the Attorney General	11/09/2012
16/07/2012	Law Reform Commission of Western Australia	13/09/2012
23/07/2012	Legal Aid Commission of Western Australia	23/08/2012
01/08/2012	Legal Contribution Trust (01/01/2012 – 30/06/2012) <i>(Qualified opinion on financial statements, controls and KPIs. Details page 11.)</i>	18/09/2012
16/07/2012	Legal Costs Committee	13/09/2012
03/08/2012	Office of the Director of Public Prosecutions	12/09/2012
27/07/2012	Office of the Information Commissioner	17/09/2012
16/07/2012	Parliamentary Inspector of the Corruption and Crime Commission	13/09/2012
25/07/2012	Professional Standards Council	19/09/2012
03/08/2012	Public Trustee	13/09/2012

Minister for Police; Road Safety

Audit Ready	Agency	Opinion Issued
16/07/2012	Police Service	11/09/2012

Minister for Training and Workforce Development; Corrective Services

Audit Ready	Agency	Opinion Issued
16/07/2012	Building and Construction Industry Training Board	14/08/2012
17/07/2012	Department of Training and Workforce Development	12/09/2012
09/08/2012	Department of Corrective Services	12/09/2012
23/07/2012	Office of the Inspector of Custodial Services	15/08/2012

Appendix 2: Audit Certifications

Audit work is also undertaken throughout the year to certify financial and statistical information produced by departments and statutory authorities. This assists agencies to discharge conditions of Commonwealth funding, grants or other legislation. This service to agencies ensures that they meet conditions of their funding agreements in a timely manner and are in a position to receive ongoing funding or apply for future funding under existing or new agreements.

In addition, certifications under the Royalties for Regions program were issued by the Auditor General. These are detailed in a separate table of this appendix, commencing on page 37.

The following certifications were completed between 1 May 2012 and 29 October 2012. Unless stated, the certifications were for the year-ended 30 June 2012. Managements' assertions were confirmed and no adverse reports were issued.

Client	Certification Relates to	Date Issued
Chemistry Centre (WA)	Increase Market Potential of Compost Project: Under Contract 11706 for period 01/08/2009 – 30/04/2012	11/07/2012
	Nutrient Filter Pilot Trial, Ellenbrook: Financial statement for period 01/09/2011 – 30/06/2012	28/09/2012
Coal Industry Superannuation Board	Trustee Company Audit Report	16/10/2012
Coal Industry Superannuation Board (Trustee of)	Australian Prudential Regulation Authority (APRA) annual return forms	25/10/2012
	Australian Securities and Investments Commission: Australian financial services license returns under <i>Corporations Act 2001</i>	25/10/2012
	Legislative Compliance Superannuation Industry (Supervision) Act (SIS) 1993 – Registrable Superannuation Entity (RSE) Licensee Responsibilities	25/10/2012
Curtin University of Technology	Higher Education Funding Act 1988: Higher Education Research Data Collection for year-ended 31/12/2011	25/06/2012
Department of Local Government	Local Government (Financial Assistance) Act 1995: Commonwealth funding to local government authorities	25/09/2012
Department of Training and Workforce Development	Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS) for year-ended 31/12/2011	19/06/2012
Edith Cowan University	Higher Education Funding Act 1988: Higher Education Research Data Collection for year-ended 31/12/2011	25/06/2012
Electricity Retail Corporation – Synergy	Australian Securities and Investments Commission: Australian financial services license returns under <i>Corporations Act 2001</i>	26/09/2012
Family Court of Western Australia	Family Law Act 1975: Commonwealth-State Agreement for the year-ended 30/06/2011	24/10/2012
Fire and Emergency Services Authority and Commonwealth Attorney General's Department	Natural Disaster Relief and Recovery Arrangements (NDRRA)	24/10/2012
GESB Wealth Management Pty Ltd	Australian Securities and Investments Commission: Australian financial services license returns under <i>Corporations Act 2001</i>	31/08/2012
Murdoch University	Higher Education Funding Act 1988: Higher Education Research Data Collection for year-ended 31/12/2011	25/06/2012
Quadriplegic Centre Board	Department of Health: Board's Home Visiting Service.	17/09/2012
The University of Western Australia	Higher Education Funding Act 1988: Higher Education Research Data Collection for year-ended 31/12/2011	29/06/2012
Western Australian Electoral Commission	Electoral Distribution Act 1907: Electoral Distribution Commissioners' Expenses for the period 1/06/2011 to 31/05/2012	22/06/2012

Certifications issued

Royalties for Regions

Clear certification opinions were issued to 31 state government agencies for their 2011-12 Statements of Receipts and Payments under the Royalties for Regions program. The Department of Regional Development and Lands (DRDL) administers this program. Agencies that receive funding sign a memorandum of understanding (MOU) with DRDL that requires quarterly unaudited reporting to DRDL and an audited Statement of Receipts and Payments for each financial year.

The audit opinions for each recipient agency reported that the Statement of Receipts and Payments of the Royalties for Regions Funding for the year-ended 30 June 2012 was prepared, in all material respects, in accordance with the terms and conditions of the DRDL's MOU.

Certification opinions were issued to 31 agencies for 124 approved projects with payments totalling \$468 million in 2011-12.

Delivering Agency	Royalties for Regions approved projects	Date Certification Issued
COUNTRY LOCAL GOVERNMENT FUND		
Department of Local Government	Supporting Local Government Reform	28/09/2012
Department of Regional Development and Lands	Country Local Government Fund (Administration)	28/09/2012
	Local Infrastructure Asset Renewal and New Assets	28/09/2012
Great Southern Development Commission	Support to Regional Groups of Local Governments	27/09/2012
Kimberley Development Commission	Support to Regional Groups of Local Governments	27/09/2012
Mid West Development Commission	Support to Regional Groups of Local Governments – Round 1	27/09/2012
	Support to Regional Groups of Local Governments – Round 2	27/09/2012
Pilbara Development Commission	Support to Regional Groups of Local Governments	26/09/2012
South West Development Commission	Support to Regional Groups of Local Governments	26/09/2012
REGIONAL COMMUNITY SERVICES FUND		
Department for Child Protection	Responsible Parenting Services	25/09/2012
Department for Communities	Funding for the Continuation of Occasional Child Care Services	27/09/2012
	Regional Community Child Care Development Fund	27/09/2012
Department of Agriculture and Food	Rangelands Reform Program	27/09/2012
	Regional Men's Health Program	27/09/2012
	State Barrier Fence	27/09/2012
	State Barrier Fence and Wild Dogs Management Program	27/09/2012
Department of Commerce	Regional Workers' Incentives – Project Officer Funding	26/09/2012
Department of Corrective Services	Regional Youth Justice Strategy Kimberley and Pilbara Expansion	28/09/2012

Part 1: Annual 2011-12 Assurance Audits
Appendix 2: Audit Certifications

Delivering Agency	Royalties for Regions approved projects	Date Certification Issued
Department of Fisheries	South-West Recreational Fishing Enhancement Structure Pilot Project	21/09/2012
Department of Regional Development and Lands	Community Resource Centres	28/09/2012
	Rangelands Reform Program – RDL	28/09/2012
	Regional Workers Incentives – Price Index Funding	28/09/2012
Department of Transport	Country Age Pension Fuel Card	25/09/2012
Great Southern Development Commission	Regional Grants Scheme	27/09/2012
Kimberley Development Commission	Regional Grants Scheme	27/09/2012
Library Board of Western Australia	Better Beginnings – Family Literacy Program	27/09/2012
Mid West Development Commission	Regional Grants Scheme	27/09/2012
Pilbara Development Commission	Regional Grants Scheme	26/09/2012
Public Sector Commission – Implementing Public Sector Regional Leadership	Element 1: Strategic Direction	20/09/2012
	Element 2: Integrity and Ethics	20/09/2012
	Element 3: Public Sector Reform	20/09/2012
	Element 4: Leadership Development	20/09/2012
	Element 5: Regional Employment	20/09/2012
Public Transport Authority of Western Australia	Upgrade of ‘Orange’ School Buses in Regional Western Australia	26/07/2012
South West Development Commission	‘Drift’ Feature Film	26/09/2012
	Regional Grants Scheme	26/09/2012
WA Country Health Service	Ambulance Services in Country Western Australia	03/10/2012
	Patient Assisted Travel Scheme	27/09/2012
	Remote Indigenous Health Clinics	27/09/2012
	Royal Flying Doctor Service	27/09/2012
	Rural Generalist Pathways in Western Australia	27/09/2012
Western Australian Alcohol and Drug Authority	North West Drug and Alcohol Support Program	25/09/2012
Western Australian Tourism Commission	Kimberley Science and Conservation Strategy Tourism Components	03/10/2012
	Regional Events Program – Regional Events Funding for Larger Events	03/10/2012
	Regional Events Program – Regional Events Scheme	03/10/2012
	Regional Events Program – Tourism, Staffing, Marketing and Event Leveraging Funding	03/10/2012
	Western Australian Indigenous Tourism Operators Committee (WAITOC)	03/10/2012
Wheatbelt Development Commission	Avon Development Unit – Northam Detention Centre	27/09/2012

Delivering Agency	Royalties for Regions approved projects	Date Certification Issued
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND (RIHF)		
Country High School Hostels Authority	Esperance Residential College – Capital Works	25/09/2012
	Merredin Residential College – Capital Works	25/09/2012
Department of Agriculture and Food	Regional Economic Development Water Opportunities	27/09/2012
	Regional Natural Resource Management Carbon Farming	27/09/2012
	Regional Natural Resource Management Gascoyne Food Bowl	27/09/2012
	Regional Natural Resource Management Storm Water Reuse	27/09/2012
	Regional Natural Resource Management Water Efficiency	27/09/2012
Department of the Attorney General	Broome Justice Complex	23/04/2012
	Carnarvon Police and Justice Complex	26/09/2012
	Fitzroy Crossing Courthouse Replacement	26/09/2012
	Kununurra Courthouse	26/09/2012
Department of Commerce	Pilbara Maritime Common Use Facility	26/09/2012
Department of Corrective Services	Community Safety Network (Terminal Equipment Spares)	26/09/2012
	Regional Work Camp Enhancement Program and Roebourne Work Camp	27/09/2012
Department of Environment and Conservation	Conservation Parks Infrastructure and Roads Initiative	28/09/2012
Department of Planning	North West Planning Program	26/09/2012
	Pilbara Cities Planning Program	26/09/2012
	SuperTowns Development Planning Fund – Planning Officers	26/09/2012
Department of Regional Development and Lands	Bunbury – Albany Gas Pipeline	28/09/2012
	Coral Bay Seasonal Staff Accommodation – Development Agreement with NLV	28/09/2012
	Coral Bay Seasonal Staff Accommodation Management Agreement	28/09/2012
	Gascoyne Development Plan – Gascoyne Unit	28/09/2012
	Living Lakes (Feasibility and Planning)	28/09/2012
	OEKEP – Aboriginal Development Package	28/09/2012
	Ord-East Kimberley Expansion Project Phase 2	28/09/2012
	Pilbara Cities Development Office	28/09/2012
Pilbara Cities Office	28/09/2012	
Department of Training and Workforce Development	Skills Training Initiative – Aboriginal Workforce Development Centres – Pilot Project	26/09/2012
	Skills Training Initiative – Kimberley Training Institute – Derby Campus Extension and Upgrade of Workshop Facilities	26/09/2012
	Skills Training Initiative – Kimberley Training Institute – Halls Creek Campus Upgrade	26/09/2012
	Skills Training Initiative – Project Management	26/09/2012

Part 1: Annual 2011-12 Assurance Audits
Appendix 2: Audit Certifications

Delivering Agency	Royalties for Regions approved projects	Date Certification Issued
Department of Transport	Augusta Boat Harbour	25/09/2012
	Broome Small Boat Facility Stage 1	26/09/2012
	Carnarvon Recreational Boat Ramp	25/09/2012
	Portlink Planning Studies Phase 1	25/09/2012
	Recreational Boating Facilities Scheme – Strategic Projects	26/09/2012
	Recreational Boating Facilities Scheme – Rounds 16-19	27/09/2012
	Regional Airports Development Scheme	25/09/2012
Great Southern Development Commission	SuperTowns Development Planning Fund – Great Southern Development Commission	27/09/2012
Housing Authority	Delivering Affordable Housing for Key Workers in the Avon Valley	27/09/2012
	Hamilton Precinct Stage 1, South Hedland	27/09/2012
	Housing for Workers	27/09/2012
	Housing for Workers Non Government Housing Strategic Intervention 2011	27/09/2012
	Housing for Workers Non Government Housing Strategic Intervention 2012	27/09/2012
	Osprey Key Worker Village, South Hedland	27/09/2012
	Pelago East Development Stage 2, Karratha	27/09/2012
Office of the Environmental Protection Authority	North West Planning Program Assessments	27/09/2012
Pilbara Development Commission	Pilbara Development Commission Co-Location Accommodation in Karratha	26/09/2012
	Pilbara Underground Power – Secretarial Support	26/09/2012
Police Service	Community Safety Network – WAPOL	27/09/2012
Port Hedland Port Authority	Port Hedland Main Street Jetty Extension	26/09/2012
Regional Power Corporation (Horizon Power)	Pilbara Underground Power Project	26/09/2012
South West Development Commission	SuperTowns Development Planning Fund	26/09/2012

Delivering Agency	Royalties for Regions approved projects	Date Certification Issued
WA Country Health Service	Busselton Health Campus	27/09/2012
	Carnarvon Health Campus Redevelopment	27/09/2012
	Derby Community Mental Health Refurbishment	27/09/2012
	Esperance Hospital Redevelopment (Construction Stage 1)	27/09/2012
	Exmouth Multipurpose Service Redevelopment	27/09/2012
	Pilbara Health Partnership – Enhancing Health Services for the Pilbara Region in a Joint Partnership with Industry	28/09/2012
	Regional Health Administrative Accommodation	27/09/2012
	Regional Hospital – Albany	27/09/2012
	Regional Hospital – Kalgoorlie	27/09/2012
	Regional Hospital – Nickol Bay	27/09/2012
	Southern Inland Health Services	27/09/2012
	WACHS Staff Accommodation Transition Project	27/09/2012
	Women's Health Care Association Inc's Rural in Reach Program	27/09/2012
Western Australian Land Authority	Housing for Workers – South Hedland Town Centre Revitalisation	27/09/2012
	Karratha City Centre Infrastructure Works Project	27/09/2012
	Karratha City of the North Project	27/09/2012
	Progress to Demolish the old Port Hedland Hospital and Site Remediation	27/09/2012
	South Hedland Town Centre Revitalisation Stage Two	27/09/2012
	SuperTowns Development Planning Fund – Landcorp	27/09/2012
	SuperTowns Development Planning Fund – Landcorp for Katanning	27/09/2012
Wheatbelt Development Commission	Avon Water Reuse Project	27/09/2012
	SuperTowns Development Planning Fund	27/09/2012
ADMINISTRATION OF ROYALTIES FOR REGIONS FUND		
Department of Regional Development and Lands	Administering the Royalties for Regions Fund	28/09/2012

Royalties for Regions certifications issued

Part 2: Across Government Benchmarking Audits

Agency Gift Registers

Non-Payroll EFT Payments to Employees

Agency Gift Registers

Conclusion

Most of the 11 agencies we audited needed to improve their policies and/or practices for employees accepting gifts and in particular, there was a need to monitor compliance with their gift policy.

Background and What We Did

It is not uncommon for public sector officers to be offered gifts during the course of their work. However, acceptance of gifts has the potential to cause a real or perceived conflict of interest if the recipient has authority to influence agency decisions in favour of the donor. For this reason, management need to provide staff with clear guidance on the circumstances where acceptance of gifts is appropriate or inappropriate. Agencies also need to ensure they have controls, such as gift registers and monitoring of procurement and contracting decisions to prevent gifts being used to assert inappropriate influence on public sector officers.

There is no specific 'whole of government' policy governing the circumstances and associated processes involved in receiving and acceptance of gifts. Rather, policy and guidelines are generally defined by individual agencies in their Code of Conduct and specific policies and guidelines, which are required by Section 9 of the Public Sector Management Act 1994. The Act also requires employees to act with integrity in the performance of official duties. Further, the Public Sector Conduct guide includes a requirement that agencies consider conflicts of interest within their Codes of Conduct.

Over the last 12 months, we have conducted two audits that assessed the Department of Health's practices for managing gifts. In this audit we assess the practices of 11 other agencies for the period from 1 July 2011 to June 2012.

The objective of the audit was to determine if selected agencies had suitable policies and practices for the management of gifts received. Our lines of inquiry were:

- Do agencies have suitable policies for instructing and guiding staff in dealing with gifts?
- Do agencies maintain a suitable register to record, describe and authorise the acceptance of gifts?
- Do agencies train or make staff familiar with the policy requirements and monitor compliance?

For the purpose of this audit, we have defined gifts as any item of value, including goods, services, money or hospitality offered to or received by an employee, without payment, as a consequence of their employment.

The audit was conducted in accordance with Australian Auditing and Assurance Standards.

What Did We Find?

- Of the 11 agencies audited, only the Department of the Attorney General was rated as 'good' against all three lines of inquiry.
- All 11 agencies had a gifts policy in place which was easily accessible for all staff. Agency employees were trained and familiarised with the policy, usually upon induction to the agency.
- However the gift policies of seven agencies lacked the necessary guidance and detail relating to the acceptance and declaration of gifts received. A policy that is not exhaustive can result in inconsistent decision-making by agency employees when dealing with gifts.

- The policies of the above seven agencies also did not require monitoring of compliance with the policies. Seven of the agencies did not have a process in place to perform a formal analysis of the entries included in the registers. Failure to review the register and monitor compliance with the policy can leave management unaware of any practices that could be inappropriate, create conflicts of interest or could cause reputational damage.
- The types of gifts recorded in agency gift registers included invitations to corporate functions, tickets to sporting events, low value ornaments and consumables.
- In total there were 835 gifts listed in the registers for the period of the audit. As some registers had incomplete information, we were not able to obtain a reliable estimate of the total value of these gifts. Where estimated values were included in the registers, the vast majority were less than \$100. The highest value gift, which was for airfare and inclusion in a conference had an estimated value of \$1 100.
- Six agencies had employees that accepted a total of 38 gifts without the approval of another officer. If gifts are accepted without approval by an independent officer, a conflict of interest may be created and pass undetected by management.
- Five of the agencies had entries in the register that were deficient in terms of completeness and accuracy. A further four agencies maintained a register that did not disclose the discretionary relationship between the donor and receiver. A register that lacks necessary information can render management's review of the register ineffective and conflicts of interest or breaches of policy could remain undetected.
- The policies of three agencies had not been reviewed or updated for an extended period of time. Not having a policy that is up to date and regularly reviewed may cause employees to be unaware of changes in agency requirements and regulations.

Agencies were rated on a three point scale of Poor, Fair or Good. The following table is a summary of our findings:

Agency	Suitability of Gift Policies	Maintenance and suitability of Gift Register	Staff Training and monitoring of policy requirements
Department of Agriculture and Food	Fair	Fair	Fair
Department of the Attorney General	Good	Good	Good
Department of Education – Head Office only	Fair	Poor *	Fair
Department of Indigenous Affairs	Good	Fair	Fair
Department of Mines and Petroleum	Fair	Good	Fair
Department of the Premier and Cabinet	Good	Good	Fair
Department of Sport and Recreation	Good	Fair	Good
Department of State Development	Fair	Fair	Good
Rottneest Island Authority	Fair	Fair	Fair
Western Australian Tourism Commission	Fair	Fair	Fair
Western Australian Treasury Corporation	Fair	Fair	Fair

Table 1: Agency ratings against our criteria

**A gift register was only implemented in March 2012.*

Recommendations

Agencies should have a clear and comprehensive gifts policy that is consistent with paragraph 2.4 of the Public Sector Commissioner's Instruction Number 8 'Codes of Conduct and Integrity Training'. The policy should:

- guide employees in the circumstances when they can accept gifts.
- require a gifts register to be maintained that includes sufficient information to identify any conflicts of interest or any evident trends such as frequent providers or receivers of gifts. Such information should include for example a description of the gift and its estimated value and the identity of the gift provider and receiver.
- require an independent officer to give written approval for the acceptance of all gifts.

Agencies should monitor compliance with the policy and conduct trend analysis with a focus on receivers and providers of gifts.

Agency Responses

Agencies in our sample generally accepted the recommendations and advised that they will improve their policies and procedures to ensure that the receiving, recording and approval of gifts is in line with best practice and minimises both potential and perceived conflicts of interest of agency employees.

Non-Payroll EFT Payments to Employees

Conclusion

The five sampled agencies displayed good practice in ensuring that payments made to staff through their accounts payable systems were legitimate. Payments were in accordance with agency policy and no inappropriate payments to employees were identified.

Background and What We Did

In 2011-12, the state public sector paid \$19.7 billion³ through accounts payable systems and by credit cards to suppliers of goods and services, but not including salaries, employee costs and depreciation.

Some agencies have hundreds of suppliers and very significant volumes of accounts payable transactions. Large volumes increase the risk that inappropriate payments may go undetected.

One particular risk is that an employee will attempt to commit fraud through the accounts payable system by creating a false supplier account and then having a fraudulent payment made to the supplier's bank account which is actually their own bank account. Achieving this would require a breakdown in a number of agency controls - but has been known to occur.

This audit at five agencies involved matching 265 000 payment transactions from the accounts payable system to employee bank account details for the year ended 30 June 2011. A total of 2 243 matches were identified. These were analysed to exclude reimbursable employee expenses leaving approximately 306 payments that were then subject to a detailed review to ensure their legitimacy.

Our lines of enquiry were:

- Are payments made to staff through the accounts payable systems legitimate?
- Do agencies have appropriate policies and procedures for making non-payroll payments to staff?

The audit was conducted in accordance with Australian Auditing and Assurance Standards.

What Did We Find?

- Testing at the five agencies did not identify any fraudulent payments. Payments made were properly incurred and certified and were supported by documentation that demonstrated the justification for the payments.
- The agencies have appropriate policies and procedures for making non-payroll payments to staff. These included specific types of payments that can be made to employees through the accounts payable system and the controls over these payments.

³ Sourced from the 2011-12 Annual Report on State Finances.

The following table is a summary of the findings:

Agency	Were Payments Legitimate?	Appropriate Policies and Procedures?
Department of Commerce	Yes	Yes
Department of Education	Yes	Yes
Commissioner of Main Roads	Yes	Yes
Department of Training and Workforce Development	Yes	Yes
Department of Transport	Yes	Yes

Table 1: Agency ratings against our criteria

Recommendations

Management should periodically review:

- their policies and practices for payments to staff that are not processed through the payroll to ensure they reflect good practice.
- payments to ensure ongoing compliance with their policies.

Agency Responses

Agencies in our sample have responded positively to the findings.

Glossary

AASB	Australian Accounting Standards Board
Agency	Term used to describe clients audited by the Auditor General, including departments, statutory authorities, corporations, subsidiaries, request audits and cemetery boards.
AG Act	<i>Auditor General Act 2006</i>
ARSF	Annual Report on State Finances
Assurance audit	Work performed to enable an opinion to be expressed regarding a report about financial or performance matters prepared by the party who is accountable for the financial transactions or the performance summary.
CFO	Chief Finance Officer as described in Treasurer's Instruction 824 under <i>Financial Management Act 2006</i>
Clear opinion (or unqualified opinion)	Auditor General's opinion expressed when an audit concludes that in all material respects the financial statements and performance indicators are presented fairly in accordance with the enabling legislation of the agency, Australian Accounting Standards (including Australian Accounting Interpretations) and the Treasurer's Instructions.
Contract audit	Audit of an agency undertaken by an appropriately qualified individual or firm, on behalf of the Auditor General, appointed under a contract.
DRDL	Department of Regional Development and Lands (State)
FM Act	<i>Financial Management Act 2006</i>
IS	Information systems, primarily computerised systems
KPI	Key performance indicator - information about service performance or outcome achievement
Management letter	Letter to agency management that conveys significant audit findings and results of the audit. A copy is also sent to the responsible Minister.
Materiality	Magnitude of an omission or misstatement of accounting or performance information that, in the light of context or circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced.
Matter of Significance	An item of concern in relation to an agency's financial statements which does not warrant a qualified opinion.
Qualified opinion	Auditor General's opinion expressed when an audit identifies that the financial statements or performance indicators are likely to be misleading to users, controls were inadequate, there was material conflict between applicable financial reporting frameworks or an unavoidable limitation on audit work.
SCI	Statement of Corporate Intent
Significance	Relative importance in the circumstances, in relation to audit objectives, of an item, event or information, or problem the auditor identifies.
TI	Treasurer's Instructions – prescribed requirements at a minimum level with respect to financial administration that have the force of law and must be observed by public sector agencies under the FM Act.
Treasury	Department of Treasury (State) commenced 1 July 2011, previously part of Department of Treasury and Finance (DTF)

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10	Information Systems Audit Report	28 June 2012
9	Public Sector Performance Report 2012 <ul style="list-style-type: none"> – Regional Procurement – Department of Commerce Support to the Plumbers Licensing Board – Ministerial decision not to provide information to Parliament on the amount of funding tourism WA provided for the Perth International Arts Festival 	28 June 2012
8	New Recruits in the Western Australia Police	20 June 2012
7	Pharmaceuticals: Purchase and Management of Pharmaceuticals in Public Hospitals	13 June 2012
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5	Audit Results Report – Annual Assurance Audits completed since 31 October 2011 including universities and state training providers and Across Government Benchmarking Audits: Accuracy of Leave Records; Act of Grace and Like Payments; and Supplier Master Files	16 May 2012
4	Supporting Aboriginal Students in Training	2 May 2012
3	Beyond Compliance: Reporting and managing KPIs in the public sector	19 April 2012
2	Opinion on Ministerial decisions not to provide information to Parliament on the amount of funding Tourism WA provided for some events	22 February 2012
1	Working Together: Management of Partnerships with Volunteers	22 February 2012

The above reports can be accessed on the Office of the Auditor General's website at www.audit.wa.gov.au.

On request these reports may be made available in an alternative format for those with visual impairment.

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