

Report on Ministerial Portfolios to November 5, 1999

Report 9 – November 1999

The Report provides:

- a summary of the results of financial statement and performance indicator audits completed to November 5, 1999;
- specific reference to qualifications of financial statement and performance indicator opinions; commentary on issues arising from audits; and
- commentary on control issues.

To November 5, 1999, 121 financial statement and 96 performance indicator audits have been completed as part of the 1999 audit cycle.

Summary of Results - Financial Statements

There is a continuing trend of general improvement in regard to the quality of financial statements and financial reporting. Over the past three years since 1996 there has been a decline in the number of qualified audit opinions issued, with five qualified opinions issued to date. Departments experienced some difficulties in preparing two schedules required under Treasurer's Instructions and additional audit and agency resources were needed to amend and correct errors in these schedules.

In addition to the routine attest audits, three current issues - net appropriation determinations, Year 2000 'Millennium Bug' and the Goods and Services Tax (GST) - were examined and their impact on agencies considered. A review of the first year of the 'global' net appropriation arrangement revealed satisfactory compliance with the arrangements, though conservatism when estimating revenue to be retained meant some agencies collected over and above the estimated amounts.

Following after the Year 2000 issue, the introduction of the Goods and Services Tax (GST) is the next global challenge to confront public sector agencies. Again, where considered appropriate, accountable authorities and accountable officers were advised of the need to properly prepare for the challenges and potential difficulties posed by the GST introduction.

Summary of Results - Performance Indicators

In 1999, Treasurer's Instruction 904 "Performance Indicators" was revised, resulting in a number of significant changes to the reporting of performance by government agencies. The revised Instruction caused initial problems within agencies in the following areas:

- clearly linking effectiveness indicators to stated outcomes;
- applying the revised definition of outputs for efficiency indicators;
- identifying 'key' performance indicators; and
- distinguishing 'output measures' and 'performance indicators'

Given the level of change it was encouraging that 91 unqualified opinions have been issued in respect of the 95 agencies who have submitted performance indicators.



Office of the Auditor General Western Australia

Issues Arising from Audits

Three issues were identified which illustrate a range of the difficulties associated with restructuring public sector entities or creating new accountability and reporting arrangements. The Ministry for Culture and the Arts, the North West Academy of Sport and the Salaries and Allowances Tribunal were identified as agencies where current accountability and reporting arrangements need review.

Two other issues warranting specific comment were the Chemistry Centre's difficulties in meeting group tax obligations, and the assessment of contracting at Main Roads Western Australia. The assessment indicated a generally satisfactory level of control with several specific contracts recently attracting public attention being earmarked for further review.

General Control Issues

Selected Information Technology controls were reviewed across 28 agencies and a range of issues relating to access and security, program change controls and disaster recovery planning were noted. It is recommended agencies develop and implement procedures to provide ongoing assurance that these controls are in place and working effectively.

Other general control issues to be reported are the result of further complementary reviews of core systems. These were undertaken to provide added assurance that the individual judgement and conclusions reached during the course of individual agency annual attest audits are soundly based and consistent. This is because there is a greater expectation in the public sector that effective controls ensure the integrity of the use of taxpayer money. Further the public sector environment generally lacks the commercial focus and imperatives of the private sector. In 1999, reviews were carried out on Expenditure and Payroll and over the Government Property Register.

Expenditure and payroll accounts for in excess of \$10 billion annually on the provision of goods and services and payments to employees. Ineffective controls increase the risk of incorrect, duplicate, incorrect and fraudulent payments. This review found that while agency controls were generally effective, instances were identified where particular key controls lapsed. Agencies need to regularly review the effectiveness of their internal controls over these functions to provide assurance that their expenditure and payroll transactions comply with legislative provisions.

The Government Property Register (GPR) was initiated in 1994 to create a central register of all state owned land and improvements to assist in the effective management of these types of assets. The GPR currently contains over 124 000 properties with a valuation of approximately \$10 billion. The review indicated that GPR provides a complete record of all State owned properties, though not all of the properties have a current accurate Valuer General's Office valuation. The Department of Land Administration is currently addressing these issues.