

# Executive Summary

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## Report 10 – October 2006

This has been an unprecedented year of change in public sector financial reporting and auditing. The major challenges were earlier annual reporting to Parliament and presenting financial statements based on Australian Equivalent of International Financial Reporting Standards (AIFRS) for the first time. In addition, on 27 September 2006 a milestone in State financial reporting was achieved when the Treasurer tabled the first audited Annual Report on State Finances in Parliament. The Annual Report on State Finances provides timely whole-of-government financial statements, based on AIFRS, and statistical disclosures, some of which were previously unaudited.

Our Audit Results Report provides:

- a summary of the results of the 176 audits of controls, financial statements and performance indicators for agencies primarily with a 30 June or 31 July 2006 reporting date and 10 audit certifications completed to 16 October 2006
- commentary on the first audited Annual Report on State Finances as well as matters addressed by agencies to comply with earlier annual reporting requirements and presentation of financial statements adopting the AIFRS for the first time
- details of management letter issues reported to agencies and limited action taken on previous management issues – information systems controls, timely tabling of Statements of Corporate Intent and agencies' use of key performance indicators as a regular management tool
- advanced notice of future audit priorities focusing on corporate governance, agency operations and financial reporting as well as our strategies and plans for delivery of audit findings on these issues.

## Agency Achievements

In general, agencies improved the timeliness of their year end reporting practices and submitted their financial reports earlier for audit. However, this was often achieved without adequate quality assurance procedures being completed within each agency, requiring many errors to be corrected during the audit process. Also working papers in many agencies were incomplete when the audit commenced.

Significant effort from both agencies and audit staff resulted in the audit opinions on all except three of 164 agencies with a 30 June 2006 reporting date being issued by 29 September 2006. The Department of Education and Training audit is in progress and two other agencies still have not submitted their financial statements and performance indicators for audit.

Annual reports of 118 agencies were tabled in Parliament within 90 days of their end of financial year in compliance with their earlier annual reporting requirements.

## Summary of Audit Results

Of the 176 audits reported, five qualified opinions were issued, two were continuing control qualifications:

- Minister for Health in his capacity as the Deemed Board of the Metropolitan Public Hospitals again did not exercise adequate control over postal remittances relating to Special Purpose Accounts and assurance could not be provided that all postal remittances were receipted and properly brought to account. In addition, reconciliation of the bank account to the general ledger was not achieved during the period January to 30 June 2006 due to a significant number of unexplained reconciling items.
- Rottnest Island Authority again relied on information provided by third parties to determine landing fee revenue and controls were not in place to verify the accuracy and completeness of the information provided.



## AUDITOR GENERAL FOR WESTERN AUSTRALIA

- Eastern Goldfields Transport Board received three qualifications – controls, financial statements and performance indicators. Inadequate control was exercised to ensure that all cash paid for bus travel was brought to account. In the absence of a ticketing system an opinion could not be formed on whether \$332 192 of bus fares reported in the financial statements and the total passenger boardings of 261 000 reported in the effectiveness indicators were fairly presented.

Eight agencies did not comply with the legislative requirement to submit performance indicators – two were created in 2005, three are developing performance indicators, two are ceasing operation and one continues not to comply with the requirement.

### **Better Practice Agencies**

Thirty-four agencies displayed better practice in managing their financial reporting in 2005-06. Ten of these agencies are again commended for their continuing high standard of supporting documents, availability of staff and completion of internal quality review processes prior to submission of their financial statements for audit.

### **Management Letter Issues**

Over 65 agencies were advised of significant and/or moderate control weaknesses or issues in their management of assets, expenditure, revenue and liabilities. These were in addition to the ongoing information system control weaknesses which continue to be reported as an audit concern.

### **Future Audit Priorities and Changes to Audit Practice**

Changes in legislation through the Financial Management Bill 2006 and Auditor General Bill 2006 currently before Parliament, and changes in standards are expected in 2006-07. We will work with agencies to address these challenges and minimise the impact during final audits at year end.

Advanced notice is being given to agencies that assurance services activity over the next three years will focus on:

- corporate governance activities – audit committee, risk management and internal audit
- operational activities - financial management, information systems controls and shared services
- financial reporting and contaminated sites' disclosures.

A copy of the report can be accessed at [www.audit.wa.gov.au](http://www.audit.wa.gov.au)

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