



AUDITOR GENERAL FOR WESTERN AUSTRALIA

"Serving The Public Interest"

M E D I A S T A T E M E N T

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AUDITOR GENERAL FINDS MIXED RESULTS IN HIS ANNUAL AUDIT OF AGENCY ACCOUNTS

The Auditor General Mr Colin Murphy tabled his Audit Results Report in Parliament today. The report included the results of his 2006-07 Audits of Agency Financial Accounts by Ministerial Portfolio and his opinion on Ministerial Notifications together with his Performance Examination of the Administration of Natural Resource Management Grants.

In his report Mr Murphy stated that his office had been 99% successful in completing the audits of agency financial statements and performance indicators by the target date of 27 September 2007.

In total 172 audit opinions were issued with 168 of these relating to the 2006-07 financial year. Four Agencies received a qualified opinion including the Department of Treasury and Finance, Department for Planning and Infrastructure, the Western Australian Alcohol and Drug Authority and the Eastern Goldfield Transport Board.

In terms of Management Issues 58 of the 135 agencies audited on controls had significant and/or moderate financial management control weaknesses brought to their attention. Additionally 37 of the 45 agencies that were subject to information system (IS) audits were made aware of significant and/or moderate information control weaknesses. Security weaknesses remain the biggest concern, making up over 60 per cent of the total findings.

What is most notable is that 11 agencies had IS control weaknesses that were also identified in last year's audit and more than 1/3 of the 2006-07 findings had been carried forward from 2005-06. This situation highlights the ongoing concern that agencies often do not understand or place sufficient importance on the vulnerabilities and threats to our systems.

Mr Murphy has stated in his report that many of the control weaknesses could be corrected without expensive technology or specialist resources. He says that "information security can be achieved through the appropriate implementation of basic processes, procedures and policies. Those agencies which have good controls invariably have senior management that understand and are committed to information security."

In terms of Better Practice only 27% or 40 agencies displayed better practice in managing their financial reporting. Twenty agencies are acknowledged for their ongoing appearance on the list. The WA Industrial Relations Commission, Disability Services Commission, Fremantle Port Authority, Water Corporation, the Insurance Commission of WA and the South West Development Commission are highlighted as having consistently achieved better practice status for five consecutive years

Contrasting this, based on the Auditor General's assessment of quality and timeliness of financial statements and general good financial practice 61 Agencies (41%) were rated as poor. Mr Murphy says that this disappointing result is because "too many agencies continue to provide financial statements, performance indicators and supporting working papers for audit that are of poor quality and / or are untimely."

In terms of timeliness 99% of opinions were issued for 30 June reporting agencies by 27 September. One notable exception was the opinion on the Department of Education and Training's financial statements and performance indicators which was issued three weeks after the tabling deadline.

The second part of Mr Murphy's report dealt with his opinions on Ministerial Notifications. A Minister may decide not to provide Parliament with certain requested information concerning any conduct or operation of an agency. Usually this is part of a response to a parliamentary question.

Section 82 of the FM Act requires the Minister to give written notice of this decision to Parliament and the Auditor General. Additionally section 24(2) (c) of the AG Act requires the Auditor General to provide an opinion on the reasonableness and appropriateness of a Minister's decision not to provide information to Parliament.

In the period 1 February to 19 November 2007, 42 ministerial notifications were received relating to 41 parliamentary questions asked of Ministers in the Legislative Assembly and one in the Legislative Council. In each case Mr Murphy has found that the Minister's decision not to provide the requested information to Parliament was reasonable and therefore appropriate.

The third part of Mr Murphy's report detailed his Performance Examination of the Administration of Natural Resource Management Funding in Western Australia. Since March 2003 nearly \$382 million has been invested into Natural Resource Management (NRM) Projects under two bilateral agreements between the State and Commonwealth governments. Approximately 60 per cent of the funds are distributed through six regionally based NRM groups. The rest is managed directly by the State. NRM projects are funded in accordance with strategies and plans approved by a joint Commonwealth and State Government steering committee. Funded projects can range from

revegetation to reduce salinity in streams to gathering technical data to assist in planning. At 30 June 2007 approximately 187 projects were underway.

The Auditor General last looked into this area in 2004. At that time he reported that the governance arrangements needed to be strengthened prior to the significant increase in funding that would flow from approval of the NRM strategies and investment plans. This year's examination has sought to establish whether appropriate governance arrangements now exist and to review the progress in implementing the bilateral agreements.

Mr Murphy found that the NRM groups his office examined are providing a community leadership role by identifying priorities and coordinating projects and funding. They have also established satisfactory governance arrangements to manage the large public NRM investment in their regions.

He says that it is now timely to review the program logic of the strategies and investment plans and to review the targets and planned activities to ensure they are still relevant, achievable and cost effective. At the time of his examination he was unable to determine whether the \$382 million spent since March 2003 is achieving objectives or represents value for money because the monitoring, evaluation and reporting frameworks needed for such assessments have only recently been developed and are still being implemented.

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