

# Executive Summary

**Report 11 – November 2007**

This Report is presented in three parts.

- The first part covers attest audit activity to 19 November 2007. Audit findings from the annual attest audits of financial statements and performance indicators prepared by agencies for the 2006-07 year are summarised.
- The second part explains opinions formed under section 24(2)(c) of the *Auditor General Act 2006* (AG Act), this being a new provision that came into operation on 1 February 2007. It also includes the opinions formed up until 19 November 2007.
- The final part of the report is the results of a performance examination of the Administration of Natural Resource Management Grants in Western Australia.

## Audit Results Report 2006-07

### Audit Opinions

- One hundred and seventy-two audit opinions were issued by 19 November, 168 related to the 2006-07 financial year. Two *Financial Management Act 2006* (FM Act) agencies are still not ready for their 2006-07 audit and a further five have not submitted performance indicators for audit.
- Four agencies received a qualified opinion. One of the four agencies, the Eastern Goldfields Transport Board, received a qualified opinion on its financial statements, controls and performance indicators. Of the other three agencies, one received a qualified opinion on controls and two on performance indicators.

### Management Issues

- Fifty-eight of 135 agencies audited on controls had significant and/or moderate financial management control weaknesses brought to their attention.
- Thirty-seven of 45 agencies that were subject to information system audits had significant and/or moderate information control weaknesses brought to their attention. Security weaknesses remain the biggest concern, making up over 60

per cent of the total findings, over half of which are easily implemented access controls. Such controls are fundamental to good security.

### Better Practice Agencies

- Forty agencies were rated as better practice agencies in 2007, an 18 per cent improvement on the prior year. Sixty-one agencies (41 per cent) were rated as poor, a slight improvement on the 45 per cent rated as poor last year. Our assessment is based on the quality and timeliness of financial statements and general good financial practice.
- Many agencies continue to provide financial statements, performance indicators and supporting working papers for audit that are of poor quality and/or untimely.
- Only 98 of the 131 FM Act agencies (75 per cent) with a 30 June reporting date tabled their annual report in Parliament within the required 90 days of the financial year end. In the prior year 86 per cent of agencies tabled on time.

### Corporate Governance and Reporting Issues

- Eighteen agencies have the legislative requirement to prepare their Statement of Corporate Intent (SCI) for tabling by their Minister in Parliament. Only one, the Western Australian Treasury Corporation achieved this prior to the commencement of the year to which the SCI relates. However, five others including the four electricity corporations complied with their legislation and reached agreement with their Minister prior to the start of the financial year and then tabled their SCI within 14 days. This was a considerable improvement on the prior year.



## AUDITOR GENERAL FOR WESTERN AUSTRALIA

### Opinions on Ministerial Notifications

From 1 February 2007, two new Acts, the AG Act and the FM Act became operative. The FM Act requires Parliament and the Auditor General to be given written notice where a Minister decides that it is reasonable and appropriate not to provide requested information to Parliament. Further, section 24(2)(c) of the AG Act requires the Auditor General to form an opinion on the reasonableness and appropriateness of a Minister's decision not to provide information to Parliament. This opinion is to be reported to Parliament.

This report contains the opinions arising from the notifications as well as an explanation of how these opinions are formed.

In the period 1 February to 19 November 2007, 42 ministerial notifications under section 82 of the FM Act were received relating to 41 Parliamentary Questions asked of Ministers in the Legislative Assembly and one asked in the Legislative Council. In each case the Auditor General's opinion is that the Minister's decision not to provide the requested information to Parliament was reasonable and therefore appropriate.

### Performance Examination of the Administration of Natural Resource Management Grants in Western Australia (WA)

Since March 2003, the State and Commonwealth governments have jointly invested hundreds of millions of dollars into Natural Resource Management (NRM) projects in WA under two bilateral agreements. Approximately 60 per cent of this money is directed through six regionally based NRM groups. The rest is managed directly by the State. We last looked at this area in 2004 and recommended that the governance processes of the groups needed to be strengthened. This new examination has sought to establish whether appropriate governance arrangements now exist and to review the progress in implementing the bilateral agreements.

#### What the examination found...

- The NRM groups we examined are providing a community leadership role for NRM in their regions. This includes identifying NRM priorities and coordinating projects and funding. They have also established satisfactory governance arrangements to manage the large public NRM investment in their regions.
- 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.
- It is not currently possible to determine whether the \$382 million spent since March 2003 is achieving objectives or represents value for money. The monitoring, evaluation and reporting frameworks needed for such assessments have only recently been developed and are still being implemented.