



Office of the Auditor General
Serving the Public Interest

Excellence in auditing
for the benefit of
Western Australians

ANNUAL REPORT 2011-2012





OFFICE OF THE AUDITOR GENERAL FOR WESTERN AUSTRALIA

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to:

Perth BC, PO Box 8489
Perth WA 6849

T: 08 6557 7500 | **F:** 08 6557 7600

E: info@audit.wa.gov.au | **W:** www.audit.wa.gov.au

National Relay Service TTY: 13 36 77
(to assist persons with hearing and voice impairment)

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

© 2012 Office of the Auditor General Western Australia.
All rights reserved. This material may be reproduced in whole or in part
provided the source is acknowledged.

ISSN: 1320-6818

Our Year by Numbers

199

total audit opinions issued
... pg 19

99.4%

success rate in completing the audits of
agency financial statements, KPIs and
controls on time for agencies ... pg 19

99

referrals received from the
public and MPs ... pg 23

92%

of MPs surveyed said our reports were
useful to Parliament ... pg 25

24

performance, compliance and assurance
audit reports tabled in Parliament ... pg 21

\$181.3 billion

is the value of assets covered by our
financial audits ... pg 18

72

ideas received by our new
Innovation Team for consideration
and action ... pg 46

6

qualified opinions issued to
agencies ... pg 35

OUR REPORT

This annual report describes the functions and operations of the Office of the Auditor General and presents the audited financial statements and performance indicators for the Office for the year ended 30 June 2012. It is not a report on the results of audits conducted, as this information is tabled in Parliament separately.

When reading this report readers should be aware that the desired outcome the Office seeks is an informed Parliament on public sector accountability and performance.

This and earlier annual reports are available on our website at www.audit.wa.gov.au.

THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2012

In accordance with section 63, as modified by Schedule 3, of the *Financial Management Act 2006*, I hereby submit to Parliament for its information the Annual Report of the Office of the Auditor General for the year ended 30 June 2012.

The annual report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Auditor General Act 2006*.



COLIN MURPHY
AUDITOR GENERAL
16 August 2012

Contents

Auditor General's Overview

Financial audits	4
Across Government Benchmarking Audits	4
Performance audit and increasing audit expectation	4
Audit expectation gap	5
Managing the Office	5
Resourcing and reviewing the Office	5
Acknowledgements	6

Highlights 2011-12

New Across Government Benchmarking Audits	7
Peer and external review – continuous improvement	7
External liaison and consultation	7
Office relocation	7
Professional relationships	8
Innovation team	8
Australasian Reporting Awards	9
Report successes	9

Our Office

Who we are	10
What we do	10
Our vision, mission and values	10
Enabling legislation	11
Key legislation affecting the Office's activities	11
Performance management framework	11
Organisational and divisional activities chart	12
Senior officers	13
Components of our Strategic Plan 2011-16	15
Our strategic progress	16

Significant Issues and Trends

Agency restructures	17
Office of Shared Services	17
Employee attraction and retention	17
Legislative review	17
Audit of Western Power	17
Collaborative audits	17

Our Performance

Financial performance	18
Financial statements	18
Financial auditing	19
Performance auditing	20
Key effectiveness performance indicators	21
Key efficiency performance indicators	22
Additional indicators of our performance	22
Referrals, special investigations and public interest disclosures	23
Special investigations	24
Public interest disclosures	24
Members of Parliament survey	25
Reports tabled in 2011-12	26

How we did it – Information Systems Audit

Managing Our Office

Workforce Development Plan	39
Employee survey	40
Our people	40
Employees by division at June 2012	40
Staff attrition	41
Code of Conduct	41
Employee relations	41

Graduate Development Program	41
Secondments, traineeships and work experience programs	42
University Liaison Program	42
Performance Review and Development Program	43
Learning and professional development	43
Office Consultative Committee	44
Equity and diversity	44
Risk and business continuity	44
Quality Framework and Quality Assurance Plan	45
Continuous improvement	46
Grievance resolution	46
Office relocation	46
Innovation team	46
Social club	47
Wellness Committee	47
Green team	47
Parliamentary Liaison Program	47
Communications	48
Information management	49
Information technology	50
Information and Communication Technology Committee	50

27

How we did it – Our Office Relocation

Financial Statements, and Disclosures and Legal Compliance Contents page

52

Certification of Financial Statements	53
Independent Auditor's Opinion	54
Statement of Comprehensive Income	58
Statement of Financial Position	59
Statement of Changes in Equity	60
Statement of Cash Flows	61
Summary of Consolidated Account Appropriations and Income Estimates	62
Notes to the Financial Statements	63
Certification of Performance Indicators	89
Performance Indicators	90
Other Disclosures	92
Other Legal Requirements	93
Government Policy Requirements	98
Our Strategic Progress	100
How We Choose Our Performance Audit Topics	111
Audit Clients	112
Glossary	114
Index	115

Auditor General's Overview



It has certainly been a varied, challenging and rewarding year for my Office.

Perhaps the most visible change that occurred during 2011-12 was our relocation from [Dumas House](#) in West Perth to [Albert Facey House](#) in the city centre. The move, which was part of the Government's Office Accommodation Master Plan required extensive planning, negotiation and coordination. However, I am pleased with the end result and staff feedback has been positive so I am confident that our new office will enable us to continue to deliver independent quality work to [Parliament](#).

Financial audits

We once again achieved an excellent 99.4 per cent success rate in completing the audits of agency financial statements, key performance indicators and controls in time for ministers to meet the legislated deadline for tabling of annual reports. In total [199 audit opinions](#) were issued.

Agency restructures and the dissolution of the [Office of Shared Services](#) continue to present audit challenges for my Office. The changes in structure and function of agencies can require significant adjustment to our audit work of these agencies. A continued effort to ensure these challenges are met is a credit to my auditors.

Across Government Benchmarking Audits

This year, for the first time, we included in our [Annual Assurance Audit](#) report to Parliament the results of our new Across Government Benchmarking Audits (AGBAs). We have introduced these audits to provide Parliament and agency management with a way of comparing agency performance across areas of common business practices. These benchmarking audits also raise awareness of common weaknesses across agencies, which should ultimately lead to improved performance. The AGBAs are now a regular part of our audit program.

Performance audit and increasing audit expectation

In 2011-12, we reported on 24 performance, compliance and AGBAs across our [four categories](#) of agency assessment – service delivery, economic development, social and environment and governance. These reports identified matters of significance and made recommendations that aim to improve public sector performance in areas such as cost effectiveness, efficiency, regulatory and policy compliance and the responsiveness of their services.

The number of [referrals](#) my Office received from the public and from Members of Parliament (MPs) increased by 68 per cent in the last year. The number received from MPs alone more than doubled from 2010-11. Issues raised through referrals and enquiries that can be examined by

Auditor General's Overview

We have further strengthened our graduate induction program and we have introduced a specific nine month training program for our middle and senior managers.

We achieved an excellent 99.4 per cent success rate in completing the audits of agency financial statements, key performance indicators and controls on time for agencies.

my Office are considered during our audit [topic selection](#) process. An increased budget allocation in 2010-11 has allowed us to accommodate the growing demand and expectation for more performance audit work throughout 2011-12 and our audit program for 2012-13 is already well underway.

In late 2012, I expect to table in Parliament the results of my performance audit of WA's implementation of the National Partnership Agreement on Homelessness. Concurrently, a number of my fellow Auditors General in other States and nationally are also looking at the implementation of the agreement in their jurisdictions. Each of the audits will stand-alone and be independently conducted and tabled. Taken together, my [Australasian Council of Auditors General](#) colleagues and I believe they will, for the first time, offer a comprehensive view of this national partnership across the country. I am sure that working collegiately with other audit offices to provide both a local and national perspective on important issues will be something we do more of in the future.

Audit expectation gap

There is a common misunderstanding among many in the community about what an audit can actually deliver, particularly when it comes to financial audits. Often, people expect we will find any fraud or corruption, any form of non-compliance or that we will modify the audit opinion for any poor agency performance. However, people commonly do not understand that the scope and purpose of a financial audit is essentially aimed at delivering an opinion on whether an entity's financial

statements provide a true and fair view of its financial performance and position at a point in time. In reaching their opinion, auditors conduct work that is based on their judgement about risk and materiality using guidance provided by the [Australian Auditing Standards](#).

This audit expectation gap was evident in communication I had with the [Public Administration Committee](#) around their [2012 report](#) into the condition of [Western Power's](#) wooden power pole network. The expectation the Committee had of our financial audits was beyond what a financial audit is able to deliver. This expectation gap is an important communication issue for my Office and one which we continue to address.

Managing the Office

As part of our [Strategic Plan 2011-16](#), we have introduced a comprehensive [Workforce Development Plan](#) for our Office. This year, we have begun to see some solid outcomes as a result of the implementation of this Plan, including revised recruitment strategies to better target the people we need, a strengthened university liaison program and the refinement of our human resource management policies and procedures.

We have also seen a significant shift in the delivery of our professional development program to a more targeted approach aimed at delivering skills, knowledge and information to specific areas of our Office. We have further strengthened our graduate induction program and we have introduced a specific nine month training program

for our middle and senior managers, which has also been completed in a condensed format by our [Corporate Executive](#).

Resourcing and reviewing the Office

The [Auditor General Act 2006](#) makes provision for a parliamentary Joint Standing Committee on Audit (JSCA) to make recommendations to the Treasurer regarding our budget, organisational structure and resources. The committee is yet to be established, so discussions relating to our budget were once again held with the [Public Accounts Committee](#) (PAC) in the [Legislative Assembly](#) and the [Estimates and Financial Operations Committee](#) (EFOC) in the [Legislative Council](#). I appreciate the support of these committees and their willingness to discuss this issue and its implications for the Office.

Growing demands and increasing expectations of my Office are a challenge that must be managed. We are committed to efficiency in the use of public funds and to pursuing initiatives that will reduce the cost of public sector audit, while also addressing the public sector accountability requirements of Parliament.

Section 48 of the [Auditor General Act 2006](#) requires the JSCA to carry out a review of the operation and effectiveness of the Act and the performance of the Office in 2012 or as soon as practicable thereafter. We are currently preparing for the review and will offer the review team, once it is formed, whatever support they require.

Auditor General's Overview

My Office is subject to various independent audits, including peer reviews. I highly value these reviews as they provide us with assurance that our processes are effective, efficient and evolving. The possibility that the JSCA will not be formed is an issue I have discussed with PAC and EFOC and I have indicated that in this event I would welcome their assistance in facilitating an independent review.

Acknowledgements

I take this opportunity to recognise and thank my employees and executive team for their ongoing dedication throughout 2011-12. The fact that my Office can continually deliver important work that matters to Parliament, the public sector and the community is a direct reflection on the high standard of my workforce. Their efforts are respected and appreciated.

The strong working relationship I share with the Integrity Coordinating Group is something which I also value – thank you to the [Public Sector Commissioner](#), [Information Commissioner](#), [Ombudsman](#) and the [Corruption and Crime Commissioner](#).

Finally, I thank our key clients – the [Parliament](#) of Western Australia and within it the [Public Accounts Committee](#) and the [Estimates and Financial Operations Committee](#) – for their continued support throughout the year.



COLIN MURPHY PSM
AUDITOR GENERAL

Our history now on display

In acknowledgement of over [180 years](#) since Western Australia's first audit function was established, we have managed to locate the photos of 16 of the 18 past Auditors General for a photo display in the reception area of our new offices at Albert Facey House.



The photos were sourced through our own archives, the State Library and through responses to an advertisement we placed in The West Australian newspaper.

Our history at a glance:

- The origins of the Office of the Auditor General for Western Australia herald back to the first months of settlement of the Swan River colony in 1829. Captain Stirling formed in May (before even landing) 'a Board of Counsel and Audit in the management of the property of the Crown, and of public property within the settlement'.
- This started out as a voluntary role: '*... I am to acquaint you that his Excellency expects from your zeal the performance of the service required of you without reward of remuneration beyond the satisfaction you will derive from the fulfilment of a duty of this confidential nature*'.
- Stirling commanded the office of the Commissioners of the Board of Counsel and Audit be opened 'for the despatch of business' on 12 August 1829. But they were very humble beginnings, operating out of a tent on the site chosen for the Town of Perth.
- The Swan River Colony's first Auditor, Captain Mark Currie, was appointed 1 July 1831, paid 300 pounds per annum, and was responsible to the Colonial Office through the Governor.

Highlights 2011-12

New Across Government Benchmarking Audits

This year we introduced an innovative new audit product – [Across Government Benchmarking Audits](#) (AGBAs). These audits build on our annual assurance audits and are aimed at providing an indication to Parliament and agency management of how agencies are performing relative to each other on selected common business practices. The first three AGBAs, tabled in Parliament in May 2012, were Accuracy of Leave Records, Acts of Grace and Like Payments and Supplier Master Files (refer to [page 31](#) for a summary of these reports). The AGBAs are now a regular feature of our audit program, providing Parliament and agency management with a way of comparing agency performance across common key activities, thereby raising awareness of common weaknesses and leading to improved performance.

Peer and external review – continuous improvement

In August, senior staff from the Victorian and New Zealand Audit Offices conducted a peer review of our performance and compliance audit functions based on the [Australasian Council of Auditors General](#) (ACAG) Governance and Audit Framework. The Framework was developed within ACAG to enable member offices to conduct internal and external reviews of all audit and corporate functions.

In May, we also engaged an external expert to conduct a review of our assurance services division to identify any potential efficiency gains in our operation.

Both sets of reviewers conducted extensive meetings, questions and general exploration across these key areas of our Office. The final reports identified several areas of best practice in place, as well as some valuable opportunities for positive and constructive improvement.

Internal, peer and external reviews of our operations are an important part of our Quality Assurance Plan and demonstrate our commitment to continuous improvement (refer to [page 46](#) for further information).

External liaison and consultation

This year has seen a significant amount of consultation and external liaison for our Office. It is often a normal part of our audit work to consult with people outside the primary government agencies, however three clear examples where our audit reports have involved significant consultation emerged in 2011-12, including two examples where we used an online survey tool to garner information to supplement our work:

- [‘Supporting Aboriginal Students in Training’](#) (Report 4, 2012) – in conducting this audit we interviewed 100 Aboriginal students, many from regional and remote communities. Following the completion of this audit we went back to the Aboriginal communities we visited to share the findings of our report.
- [‘Right Teacher, Right Place, Right Time’](#) (Report 6, 2011) – we issued an online survey to all WA teachers to give them an opportunity to share their experiences in relation to staffing processes. A total of 575 teachers/principals responded to the survey.
- [‘New Recruits in WA Police’](#) (Report 8, 2012) – in addition to document review, data analysis and conducting interviews, we sent an extensive online survey to all sworn officers to gather their views. A total of 1 162 responses were received, representing a 20 per cent response rate.

This year also saw a significant number of external speaking engagements for our Office. The Auditor General alone delivered 11 external presentations in the six months from 29 September 2011 to 30 March 2012. The presentations delivered by the Auditor General, and by the Corporate Executive and Senior Officers, play an important part in communicating the role and mandate of the Auditor General, and sharing with agencies and other interested parties the specific findings, best practice examples and learnings emerging from our audit reports.

Office relocation

As part of the Government’s [Office Accommodation Master Plan](#), we relocated our Office in December 2011 from Dumas House in West Perth to Albert Facey House in the city centre. This project has been a major undertaking and has involved extensive planning, negotiation and coordination. While there remain some ‘teething’ issues to

Highlights 2011-12

We held a very successful 'Innovation Month' during April which resulted in over 70 ideas being submitted from our employees for consideration.

address, so far the response from our employees has been overwhelmingly positive with access to public transport, the location in the city centre and the brand new fitout highlighted as clear positives. Refer to page 51 for a case study on how we managed the relocation.

Professional relationships

Knowledge, experience and information sharing with our peers are important components of our continuous improvement and professional development programs. We have had an active and beneficial year in terms of international involvement with our peers. Some notable examples include:

- Our Auditor General travelled to China to deliver a keynote presentation at the [SINO-Australia International Conference on Accounting and Finance](#).
- One of our Assistant Directors, Assurance Services Division, completed a 12 month secondment with the [British Columbia Audit Office](#) (refer to [page 42](#) for a short testimonial).
- We sent auditors from our Office to the audit offices of Victoria and Tasmania to conduct a quality assurance review of their performance audit divisions using the [Australasian Council of Auditors General](#) (ACAG) Governance and Audit Framework for Self-Assessment and External Review.
- Our Assistant Auditor General Performance Audit Division, has this year chaired the ACAG Heads of Performance Audit Group and has assisted the British

Columbia Audit Office to broaden their Audit Learning Network to include Australia and New Zealand. These groups connect and support public sector performance auditors from Australia and all over the world.

- Our Director of Information Systems Audit went to Indonesia, with the support of the [Australian National Audit Office](#), to help the Jakarta Audit Office set up their own Information Systems Audit branch and methodology (see [page 27](#) for more information).
- We hosted a parliamentary delegation from the Cook Islands to share information on the role of the Auditor General and how our Office interacts with parliamentary committees.
- We met with the First Assistant Secretary and the Assistant Secretary of the [Department of Finance and Deregulation](#), Commonwealth Financial Accountability Review Branch to discuss the Commonwealth Financial Accountability Review Discussion Paper, *Is Less More? Towards better Commonwealth performance*.
- The Victorian Public Accounts and Estimates Committee met with the Auditor General in February to inform its 'Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects'.

- This year our Auditor General was the Chair of the [Integrity Coordinating Group](#) (ICG), comprising the [Public Sector Commissioner](#), [Information Commissioner](#), [Ombudsman](#) and the [Corruption and Crime Commissioner](#).
- Representatives from our Office were invited to meet with the [Institute of Chartered Accountants](#) Australia (ICAA) Regional Council in April 2012 and meet with the ICAA Head of Financial Reporting in June 2012. The Auditor General also delivered a presentation at the annual [CPA Congress](#) and at an [Institute of Public Accountants](#) public sector day.

These relationships are important to us as they offer opportunities for development and continuous improvement both for the individuals involved and for the Office. We will continue to build and strengthen these relationships throughout 2012-13.

Innovation team

To promote a culture of innovation and to foster innovative ideas across the Office, this year we established an '[Innovation Team](#)', which is working to ensure potential ideas and initiatives arising throughout the Office are recognised and explored. The Auditor General is a member of the Innovation Team, demonstrating firm commitment from the Corporate Executive for innovation at the Office of the Auditor General (OAG). We held a very successful 'Innovation Month' during April which resulted in over 70 ideas being submitted from our employees for consideration (refer to [page 46](#) for more information).

Australasian Reporting Awards

We once again received a Silver Award in the [Australasian Reporting Awards](#) (ARA) for our 2010-11 Annual Report. The ARAs are open to all private and public sector organisations across Australasia, allowing us to benchmark our annual report against world's best practice criteria and as such we are very proud to have received this recognition.

Report successes

Our audit reports continue to provide public sector agencies with recommendations and opportunities for greater accountability and performance. Five examples where our work has recently had an impact are:

- A Public Sector Commissioner's circular was issued mid-2011 to all agency CEOs in relation to information and internet security, which was based on our 2011 [Information Systems Audit Report](#) (refer to [page 26](#) for further information).
- The [Department of Mines and Petroleum](#) this year announced plans to strengthen environmental standards in the industry. This followed our 2011 report [Ensuring Compliance with Conditions on Mining](#) that recommended the Department implement a number of changes in the way it manages environmental impacts.
- In early 2012, Government released a [new planning framework](#) to guide anticipated rapid development across the resources-rich Pilbara. This was a recommendation of our 2008 performance audit [Improving Resource Project Approvals](#).
- Government announced an investment of \$58.5 million in early childhood health services over four years in an effort to improve access for children to free universal early childhood health checks. This followed the findings of our 2010 report, [Universal Child Health Checks](#).
- The [State Supply Commission](#) website now includes a link to our 2011 report [Agency Compliance with Procurement Requirements](#) on its home page www.ssc.wa.gov.au.

World record attempt

A novel experience for our Office occurred this year with the invitation from the [Perth Mint](#) to oversee their successful attempt at achieving a Guinness World Record for the largest coin in the world. It was the job of our Assistant Auditors General, Michelle Shafizadeh and Don Cunningham to independently verify the official measurements, which came in at 1 012 kilograms and 80 centimetres wide by 13 centimetres deep.



Our Office

Our clients are Parliament, the public sector and ultimately the people of Western Australia.

Who we are

The Auditor General for Western Australia, Mr Colin Murphy, is a statutory officer with responsibility for auditing the state public sector. The [Governor](#) appoints the Auditor General for a non-renewable term of 10 years.

The Auditor General reports directly to [Parliament](#) and ultimately the people of Western Australia. This independence is the cornerstone of public sector audit and the Auditor General must be free from pressure, influence or interference from any source that may erode that independence.

Mr Murphy was appointed to the role of Auditor General in June 2007. He is the Accountable Authority and Chief Executive Officer of the Office of the Auditor General, which is a public sector department established to support the Auditor General. Subject to the [Auditor General Act 2006](#) and other written laws, Mr Murphy has complete discretion in the performance of his functions.

What we do

The Auditor General is responsible for:

- auditing the [Annual Report on State Finances](#)
- conducting audits of financial statements, controls and key performance indicators for departments, statutory authorities, tertiary institutions and corporatised public sector entities
- delivering audit certifications

- conducting across government benchmarking audits on common business practices
- conducting performance audits and compliance, controls and information system audits to ensure there are adequate controls within agencies; compliance with relevant legislation; and, most importantly, efficiency, effectiveness and economy of agency operations or programs
- reporting the results of audits to Parliament in an objective, competent, insightful and timely manner.

The Office of the Auditor General's corporate focus continues to be driven by the public sector environment in which we operate. In 2011–12 we conducted annual financial statement audits of:

- 40 government departments
- 98 statutory authorities
- 15 corporate bodies
- 4 universities, their 9 subsidiaries and 10 state training providers
- 5 entities as requested by the Treasurer, 6 agency subsidiaries and 5 cemetery boards
- the Annual Report on State Finances for whole-of-government.

Information about our tabled reports is available on pages [26](#) to [38](#).

Our vision, mission and values

Our operations and professional relationships are built on the foundation of independence exercised with integrity and objectivity.

Our vision is *Excellence in auditing for the benefit of Western Australians*.

Our mission is *To improve public sector performance and accountability by reporting independently to Parliament*.

In achieving our vision, mission and our purpose of *serving the public interest*, we will act in regard to the following values:

- Integrity – we conduct our business in an independent, professional and ethical manner and take an open, honest and fair approach to our stakeholders.
- Quality – we improve the performance of the Office and the public sector by working together to manage our resources, our people and our relationships.
- People – we respect and value the contribution of our people and encourage a cooperative approach to how things get done.

Our Office

Our mission is *To improve public sector performance and accountability by reporting independently to Parliament.*

Enabling legislation

The Auditor General is appointed by the Governor under the [Auditor General Act 2006](#).

The Office of the Auditor General is established as a department of the public service under the [Public Sector Management Act 1994](#).

As the Accountable Authority, the Auditor General must discharge responsibilities under the [Financial Management Act 2006](#).

Key legislation affecting the Office's activities

In performing its functions, the Office complies with the following relevant laws:

- [Auditor General Act 2006](#)
- [Public Interest Disclosure Act 2003](#)
- [Corruption and Crime Commission Act 2003](#)
- [Contaminated Sites Act 2003](#)
- [Public Sector Management Act 1994](#)
- [Salaries and Allowances Act 1975](#)
- [Disability Services Act 1993](#)
- [Equal Opportunity Act 1984](#)
- [Occupational Safety and Health Act 1984](#)
- [Workers' Compensation and Injury Management Act 1981](#)
- [Electoral Act 1907](#)

- [Industrial Relations Act 1979](#)
- [Minimum Conditions of Employment Act 1993](#)
- [State Records Act 2000](#)
- [Financial Management Act 2006](#)
- [Electronic Transactions Act 2011 and 2003](#)
- [State Supply Commission Act 1991](#)
- [Corporations Act 2001](#)
- [Corporations \(Western Australia\) Act 1990](#)

In performing its functions, the following laws have some impact on the Office of the Auditor General's activities:

- [Constitution Act 1889](#)
- [Constitution Act Amendment Act 1899](#)
- [Appropriation Acts](#)
- [Financial Agreement Act 1995](#)
- [Interpretation Act 1984](#)
- Laws affecting agencies and activities subject to audit by the Auditor General.

Performance management framework

The Office of the Auditor General is an independent watchdog and is primarily responsible to [Parliament](#). Notwithstanding, we seek to implement sector wide initiatives where we believe our independence is not compromised and it will enhance outcomes associated with our activities.

The Office of the Auditor General's outcome based management framework is consistent with the government goal for financial and economic responsibilities as below:

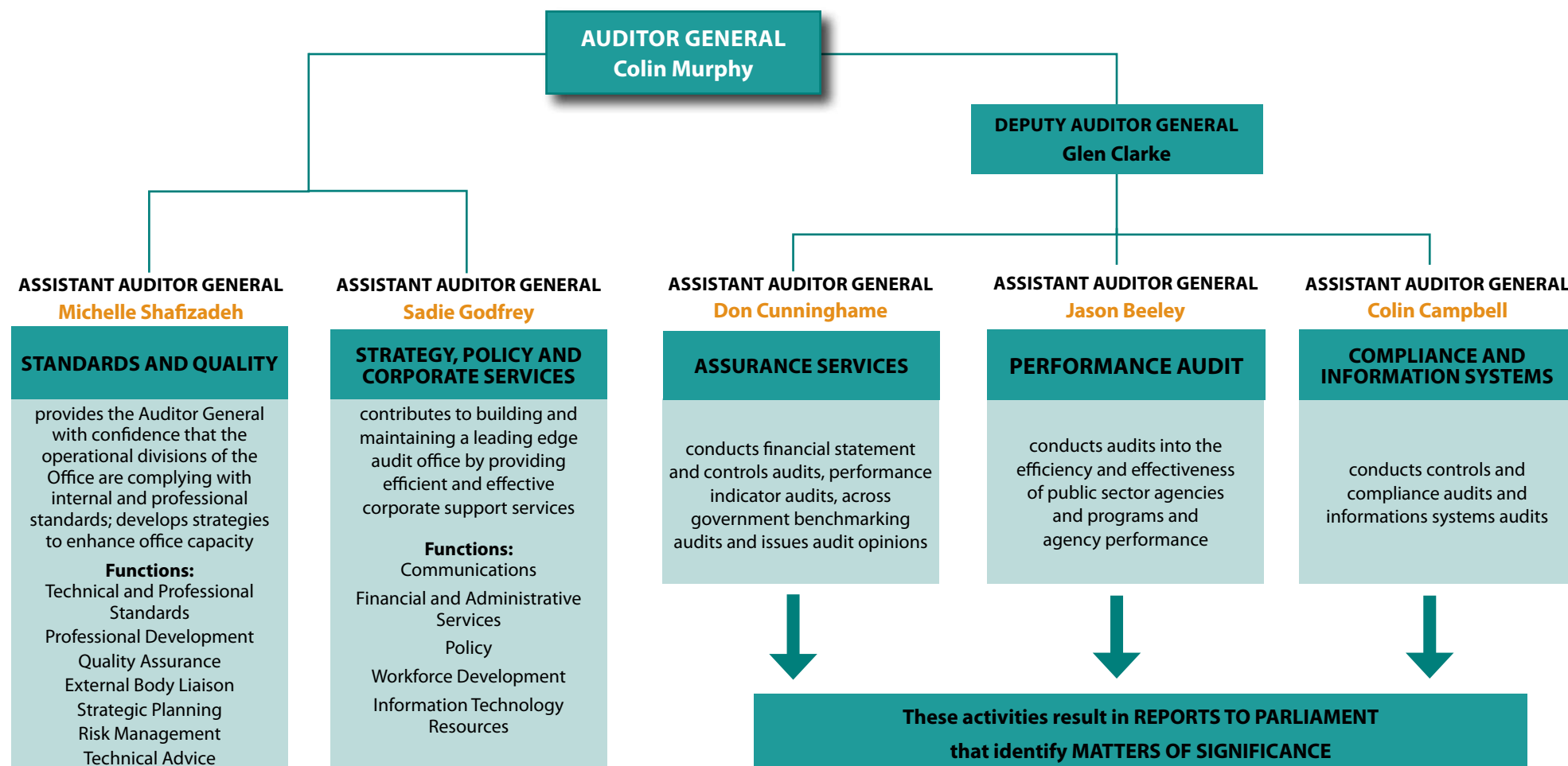
Government Goal	Outcome	Service
Financial and Economic Responsibility 'Responsibly managing the state's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector'.	An informed Parliament on public sector accountability and performance.	Public sector auditing

Table 1

The Auditor General can be seen as an 'ally of the people and Parliament'. He must act, and be seen to be acting, independently in carrying out all of his powers and duties.

Organisational and divisional activities chart

The Office of the Auditor General is made up of five divisions all with the ultimate goal of improving public sector performance and accountability by reporting independently to Parliament.



Our Office

Senior officers



Colin Murphy
BCom, FCPA, FCA, FCIS,
PSM.

Colin Murphy was appointed Auditor General for Western Australia in June 2007. Colin has extensive experience

in finance and administration in State and Commonwealth Government roles. He has held senior positions within the State Government in the Departments of Justice, Treasury and Finance, Land Administration and the Building Management Authority. He has also worked for the Commonwealth Department of Finance in Perth and Washington DC and as Business Manager for Murdoch University. Colin is a member of the Australian Auditing and Assurance Standards Board. He is a Fellow, former Board member and Past State President of CPA Australia and a Fellow of Chartered Secretaries Australia and the Institute of Chartered Accountants in Australia. Colin was awarded the [Public Service Medal](#) in the 2010 Australia Day Honours.



Glen Clarke
BBus, FCPA.

As Deputy Auditor General, Glen is responsible for the three operational audit

divisions of the Office and has worked extensively in all three. He has previously held a senior position in the Commonwealth Department of Veteran's Affairs and is currently the Deputy Chairman of Bizlink, a not-for-profit organisation that assists people with disabilities to obtain open employment.



Don Cunningham
BCom, FCPA, CISA.

Don is a Fellow of CPA Australia and a Certified Information Systems Auditor. He joined the

Office in 1992 after an information systems audit career mainly in the internal audit divisions of large insurance companies. At the OAG, he has worked in our information systems audit branch, headed our corporate services division and was a director of assurance services before being appointed Assistant Auditor General, Assurance Services in 2008.



Jason Beeley
BA Hons (Oxon), Dip Strategic Studies.

Jason joined the Office in 2006, following five years as a commercial

and general manager in the defence and technology sectors. He previously worked for eight years with the UK National Audit Office in London, conducting and managing value for money studies, mainly of the Ministry of Defence.



Colin Campbell
BSc Ag Econ, MSc NRM,
GAICD

Colin has a Bachelor of Science in Agricultural Economics and a Masters

Degree in Natural Resource Management. He worked as a Natural Resource Economist in both the public and private sectors before joining the Office in 2002. Colin completed a year long work exchange with the Commissioner for Environment and Sustainable Development within the Canadian Office of the Auditor General in 2006. He was appointed as Assistant Auditor General in 2008.



Michelle Shafizadeh
BBus, FCA, Registered
Company Auditor.

Michelle joined the Office in 2010. She is a Fellow of the Institute

of Chartered Accountants and Registered Company Auditor. Prior to joining the Office, Michelle was a member of the National Assurance Services Technical Division of William Buck Chartered Accountants. Michelle was also a Perth Assurance Services Partner of BDO Chartered Accountants where she was employed for over 14 years. She has extensive experience in external financial audit, Corporations Law, Australian Stock Exchange, risk management, governance and review of information systems.



Sadie Godfrey
MBA (Curtin), Assoc Dip Bus
(Accounting).

Sadie has diverse and extensive experience in corporate management, working in the areas of

education and industrial relations. She was previously Director of Corporate Services at the Department of the Registrar, Western Australian Industrial Relations Commission before joining the Office in 2008.

Organisational strategies

We have a comprehensive five year strategic plan that provides us with the focus to deliver on our vision of 'Excellence in auditing for the benefit of Western Australians'. The strength of this plan lies in the fact that the whole Office continues to be involved in the entire process, from creation to implementation and evaluation.

Strategic planning is a management tool that helps us to focus our energy to ensure that we are all working toward the same goals and to assess and adjust the Office's direction

in response to a changing environment. This Plan gives guidance as to what we are, what we do and why we do it; with a specific focus on the future and how we can shape it.

This year we have made substantial effort to ensure this Plan is incorporated into our business operations. Our Corporate Executive conducts quarterly strategic planning sessions to track progress and address any emerging opportunities, issues or weaknesses.

Strategic Plan 2011-16

VISION	<i>Excellence in auditing for the benefit of Western Australians</i>
MISSION	To improve public sector performance and accountability by reporting independently to Parliament
VALUES (page 10)	<ul style="list-style-type: none"> • Integrity • Quality • People
STRATEGIC THEMES (page 15)	<ul style="list-style-type: none"> • Building capacity • Protecting the Auditor General's independence and credibility • Meeting the standards we expect of others • Continue to shift effort to things that matter • Adding value to Parliament and client agencies • Taking opportunities for improvement
KEY RESULT AREAS (page 16)	<ul style="list-style-type: none"> • Our clients • Our products and services • Our people • Our business performance
OBJECTIVES (page 16) STRATEGIES (page 16) MEASURES AND TARGETS (page 16)	

We have a number of tools in place to support and implement our Strategic Plan, including:

- Divisional Operation Plans
- Audit methodology
- Quality Assurance Plan (page 45)
- Continuous Improvement Program (page 46)
- Internal Audit Program
- Risk Management Framework (page 44)
 - Risk register
 - Potential conflict of interest register
 - Conflicts of interest register
- Workforce Development Plan (page 39)
- Professional Development Program (page 43)
- Employee Performance Appraisal and Reviews
- Communication Strategy (page 48)
- OAG policies
- Employee, parliamentary and client surveys
- Information Systems strategy

At a glance

Our Office has a comprehensive strategic framework in place. This graphic illustrates how each of the different components fit together to provide us with our strategic direction. The page numbers refer to sections of this annual report that can provide you with further information.

We aim to deliver work that has a significant impact on public sector accountability. Our Strategic Plan gives us the direction we need to achieve this goal.

Components of our Strategic Plan 2011-16

Strategic themes

Building capacity

Investing in our people, their abilities and the knowledge they hold is vital to the success of our Office. We will build on the experience and further develop the skills of the people in our workforce. Leadership, mentoring and coaching is an important focus. We aim to develop a supportive Office that minimises reliance on individuals.

Protecting the Auditor General's independence and credibility

We know that in order to add value we need to ensure that our work is accepted as both credible and free from influence. We are prepared to stand up to external scrutiny and we will always be looking for opportunities to achieve better practice standards. Demonstrating professionalism in our work with agencies, we will continue to uphold the Auditor General's independence and credibility.

Meeting the standards we expect of others (internal and external)

Mediocrity is not something we will accept. We are using taxpayer dollars and we aim to give value for money, ensuring cost effectiveness at every step. We not only want to meet the standards we expect of others, but we want to exceed those standards.

Continue to shift effort to things that matter

We are focused on the big issues that really matter to Parliament and the community. We will have the courage to deal with the difficult issues. At every stage of our work we will ask ourselves if we have missed anything and if this is the most efficient and effective way of operating. We will continue to put our time and effort into the things that add value.

Adding value to Parliament and client agencies

Our relationships with our stakeholders are paramount to us succeeding. We need Parliament and our client agencies to work with us and to recognise the value our work holds for them. Our work will aim to identify better practice for agencies and will challenge the norm, constantly asking if there is a better way.

Taking opportunities for improvement

Recognising and acting on opportunities to improve and enhance the efficiency of our work is important to us. We seek feedback from our peers, clients, staff and Parliament and we actively use it. Taking responsibility is a key element to finishing the job and finishing it to the best of our ability.

Appendix 1 provides a 'report card' of our strategic progress to date, including objectives, strategies and measures, together with a status indicator.

Components of our Strategic Plan 2011-16 (cont)

Key result areas

1. Our clients

Our clients are [Parliament](#) and [public sector agencies](#) of Western Australia; we continue to maintain our independence to ensure our credibility. We strive to add value to Parliament and client agencies.

2. Our products and services

Our products and services include independent financial statement audits, performance and compliance audits, assurance reports, certifications and the sharing of knowledge and expertise. We aim to increase opportunities for improvement.

3. Our people

We not only want to meet the standards we expect of others, we want to exceed those standards. We aim to continue to build the capacity of the OAG.

4. Our business performance

We recognise the need to act on opportunities to improve and enhance the efficiency of our work. We work to shift effort to things that matter.

Objectives

Broadly describe the results of what we want to achieve in light of needs and relevant issues.

Strategies

Specific, measurable actions and directions designed to reach the objectives established. Our strategies are fulfilled through the creation, continuation, change or elimination of programs.

Measures and targets

Objectives and strategies need to be measurable with clear targets that support the work of our individual divisions.

Risk management

We consider risk management to be a fundamental principle of the work we do for ourselves and others. We have a comprehensive risk management framework, which forms an integral part of our strategic planning processes. Our reputation for independence and integrity behaviour is among our most valued corporate attributes.

Our strategic progress

Please refer to [Appendix 1](#) for a complete listing of our objectives, strategies and measures, together with a status indicator for each. This acts as a report card on our strategic progress to date.



Significant Issues and Trends

Agency restructures

Agency restructures and amalgamations and the impact this causes on control environments provides significant challenges to our financial audit capacity. Upcoming changes include the creation of four additional agencies as a result of the [National Health Reform Agreement](#), the amalgamation of a number of regional port authorities and the amalgamation of the metropolitan redevelopment authorities.

Office of Shared Services

The decommissioning of the [Office of Shared Services](#) and the 58 agencies it currently services continues to have an impact on our financial audit work, necessitating additional audit effort. The primary impact for audit arises from the re-establishment of agency-level corporate services functions and the accurate transfer of transactional data back to the agencies.

Employee attraction and retention

Attracting and retaining skilled audit professionals continues to be an ongoing challenge, as is the need for succession planning and the development of leaders within our Office. The Office has committed to a customised leadership program targeted at middle to senior management to consolidate and develop existing employees and create a common leadership language and practice across the Office.

Legislative review

Section 48 of the [Auditor General Act 2006](#) requires the Joint Standing Committee on Audit to carry out a review in 2012 of the operation and effectiveness of the Act and the performance of the Office of the Auditor General. We are preparing for the review and will offer the review team, once it is formed, whatever support they require.

The Auditor General has raised with the [Public Accounts Committee](#) and the [Estimates and Financial Operations Committee](#) the possibility that if the JSCA cannot be formed he would welcome the assistance of the committees in facilitating an independent review of the Office.

Audit of Western Power

In January this year the [Standing Committee on Public Administration](#) tabled a report from its enquiry into the condition of the State's wooden power pole network. Titled '[Unassisted Failure](#)', the report contained criticisms of the Auditor General for failing to issue a qualified audit opinion on [Western Power's \(WP\)](#) financial statements or to conduct a performance audit of the network despite WPs regulators issuing compliance notices and making adverse comments about the condition of the network.

We considered these criticisms very seriously and conducted an in-depth review of their justification. The review concluded that the criticism of our financial audits was unfounded. In short, our financial audits were conducted in full accordance with the relevant

legislation and the [Australian Auditing Standards](#). As the Auditor General is required to exercise independence in determining topics for performance audit, it is open to anyone to disagree with his judgements in this regard. We nevertheless remained of the view that a performance audit on the management of the network was not warranted at the time given the work done by the Regulators and the Committee's own comprehensive enquiry.

The Auditor General wrote to the Committee and then appeared before it in June to explain his concerns. We remain hopeful that the concerns can be addressed as the Parliament's faith in the quality and integrity of our work is critical to maintaining our credibility.

Collaborative audits

Auditors General in Australian jurisdictions, including WA and the [Australian National Audit Office](#), have agreed to collaborate in conducting performance audits that will assess the outcomes of important Commonwealth funded programs across Australia. The first of these collaborative audits is 'Homelessness – implementing the National Partnership Agreement', which is a high value, joint Commonwealth and State funded program. Our Office has commenced a performance audit of the WA program and we expect to table the results in late 2012.

Our Performance

Financial performance

	2011-12 Target \$000	2011-12 Actual \$000	Variation \$000
Total cost of services (expense limit) (sourced from Statement of Comprehensive Income)	19 807	22 556	2 749
Total income other than income from State Government (sourced from Statement of Comprehensive Income)	14 147	16 748	2 601
Net cost of services (sourced from Statement of Comprehensive Income)	5 660	5 808	148
Total equity (sourced from Statement of Financial Position)	7 450	7 454	4
Net increase in cash held (sourced from Statement of Cash Flows)	10	(438)	(448)
	Number	Number	Number
Approved full-time equivalent (FTE) staff level	113	121	8

Table 2

The budget for the Office is largely comprised of accommodation costs, salaries and audit contractor expenses. The variance in total cost of services was primarily due to an increase in salary and accommodation costs in addition to an increase in contract payments.

Total income other than income from State Government increased due to the higher audit fees and miscellaneous income. The decrease in cash held is primarily due to higher employee benefits, supplies and services and accommodation payments.

Further explanations are contained in note 29 'Explanatory Statement' to the financial statements on [page 82](#) of this report.

Financial statements

For more details on our financial performance please refer to the relevant pages in our financial statements section of this report:

	Page
• Certification of Financial Statements	53
• Statement of Comprehensive Income	58
• Statement of Financial Position	59
• Statement of Changes in Equity	60
• Statement of Cash Flows	61
• Summary of Consolidated Account Appropriations and Income Estimates	62
• Notes to Financial Statements	63

Our Performance

In 2011-12 we issued 199 audit opinions. Agencies receive three audit opinions from the Auditor General.

Financial auditing

Introduction

Agencies that operate under the *Financial Management Act 2006* (the majority of public sector agencies) receive three opinions from the Auditor General:

- an opinion on the financial statements of the agency
- an opinion regarding the effectiveness of the controls in the agency
- an opinion regarding the key performance indicators of the agency and whether they are fairly presented, relevant and appropriate.

Entities operating under other legislation receive an opinion on their financial statements with a small number also receiving an opinion on controls.

Audit work also includes the certifications of financial and statistical information produced by departments and statutory authorities. This assists agencies to discharge conditions of Commonwealth funding, grants or legislation and ensures that they meet requirements of their funding agreements in a timely manner.

Results for 2011-12

Audit opinions

Audit Opinions issued 2011-12	
Annual Report on State Finances	1
Parliamentary departments	3
Government departments	40
Statutory authorities	98
Universities and state training providers (statutory authorities)	14
Superannuation funds (statutory authorities)	3
Corporatised entities	15
Cemetery boards	5
Subsidiary entities	15
Request audits	5
Total number of audit opinions issued	199

Table 3

A complete list of agencies subject to audit is on pages 112 to 113 of this report.

Output

Output – Financial Audits	What we achieved
Table audit reports in Parliament	2
Audit opinions issued to ministers/agencies	199
Audit certifications issued	100

Table 4

Timeliness

What we set out to do	What we achieved
Issue 199 audit opinions in time for agencies' annual reports to be tabled within 90 days	99.4% of 2011 opinions were issued in time*

Table 5

* One opinion was issued on 28 September 2011 – the responsible Minister had an extension of time for tabling the annual report.

Performance auditing

Introduction

The Auditor General tables in Parliament a [range of reports](#) addressing issues of parliamentary and community interest. These include two types of performance audit reports:

- **Large Scale Performance Audits** – These provide Parliament with information and analyses of public sector programs and operational performance. Performance audits do not focus on government objectives but rather on whether the objectives have been met with efficiency and effectiveness.
- **Limited Scope Performance Audits** (including compliance audits and across government benchmarking audits) – These provide information about government agency compliance with legislation, public sector policies and good practice.

Our reports do not just illustrate areas where performance can improve. They also identify and highlight examples of good practice. This is important as it provides guidance for other public sector agencies about improvement opportunities and better practice.

Output

Our audited key effectiveness performance indicators are outlined on the following page and provide an indication of our performance in relation to our reports tabled in Parliament.

The indicators set out in the table below are not audited, however they are included in this annual report because they are considered important in understanding the Office's operational performance.

Indicator – parliamentary reports	2011-12 Target	What we achieved
Matters of significance to Parliament	n/a	136
Stand-alone and follow-up performance audit reports	7-9	7
Limited scope performance audits	10-12	12
Across government benchmarking audits	–	3

Table 6

Our Performance

Our three year target was 54 reports and we exceeded this with a total of 59 reports tabled over the three years.

Key effectiveness performance indicators

The Office's effectiveness indicator shows the extent to which Parliament has been informed about public sector accountability and performance against four specified categories.

To enable our performance to be assessed, we established from 2009-10 a three year rolling target for each of our four categories of reports and for all reports tabled. Our three year target was 54 reports and we exceeded this with a total of 59 reports tabled over the three years.

It is important to note that while the Office aims to meet the individual category targets and the total target, we are also intent on responding to key issues as they emerge and not sacrificing the quality of our reports in order to achieve a qualitative measure.

Table 7 shows our actual performance for 2011-12 as well as our actual three year performance total from 2009-10 to 2011-12.

Report Type	KPI Period				Three year performance 2009-10 to 2011-12			2012-13 Target
	2009-10 Actual	2010-11 Actual	2011-12 Actual	2011-12 Target	Total	Target	Variance	
Service delivery	3	2	4	4	9	12	-3	5
Economic development	2	1	1	3	4	9	-5	2
Social and environment	1	2	2	4	5	11	-6	4
Governance	14	10	17	8	41	22	+19	14
Year Total	20	15	24	19	59	54	+5	25

Table 7

Our [topic selection process](#) aims to provide Parliament with advice and assurance across all four categories of public sector activity. Our targets are one factor in our selection of topics. Other factors include the significance of identified issues and regards for matters referred to us by Parliament. For this reason, our category targets may not always be met in any one year.

A notable variation from our targets in 2011-12 was in the governance category where we tabled nine reports above target. Of these, two arose from special investigations and three came from our new governance-based 'Across Government Benchmarking Audits' which assess agency performance in areas of common business practices (refer to [page 31](#)).



For further information and details about reports tabled this year refer to pages [26 to 38](#).

Our Performance

There are a number of indicators that provide us with a measure of our ongoing performance in meeting our outcome of 'An informed Parliament on public sector accountability and performance'.

Key efficiency performance indicators

The Office's key efficiency performance indicators measure the cost of our audits relative to government expenditure.

Table 8 shows the cost per \$m of government expenditure for all our efficiency indicators.

Efficiency Indicator	2009-10 Actual	2010-11 Actual	2011-12 Actual	2011-12 Target
Total audit cost per \$m of gross government expenditure*	\$519	\$509	\$516	\$478
Attest (annual assurance) audit cost per \$m of gross government expenditure	\$389	\$382	\$387	\$358
Performance audit cost per \$m of gross government expenditure	\$130	\$127	\$129	\$119

Table 8

* The gross government expenditure value incorporates total public sector expenditure together with expenditure by universities, superannuation boards and other entities whose expenditure is not reported within government expenditure in the annual Budget Statements.

Further information on our key performance indicators is on page [90 and 91](#).

Additional indicators of our performance

While not official key effectiveness or efficiency performance indicators, there are a number of indicators that provide us with a measure of our ongoing performance in meeting our outcome of 'An informed Parliament on public sector accountability and performance'. These include:

Measure	Further information can be found in this annual report on page:
Parliamentary satisfaction surveys	25
Client agency surveys	
Employee surveys	40
Web downloads of our audit reports	26-38
Referrals, special investigations and public interest disclosures	23
Peer reviews	7
Outputs – parliamentary reports:	
• matters of significance to Parliament	
• stand-alone and follow-up performance audit reports	
• limited scope performance audit reports	
• results of financial statements and controls and performance indicator audits	20

Also refer to [Appendix 1](#) for a summary of our strategic progress.

Referrals, special investigations and public interest disclosures

Introduction

Each year we receive many enquiries, referrals (expressions of concern) and requests for special investigations from [Members of Parliament](#) and the public, primarily in relation to the actions of a public sector agency or management of public resources.

In keeping with the Auditor General's independence, we have systems in place to ensure that a decision to investigate a matter is made with proper consideration of the relative merits of an investigation.

Our investigations are conducted in an objective and ethical manner, with full regard to confidentiality and in accordance with our audit practice requirements.

Importantly, all the information received through requests for special investigations, referrals and public interest disclosures is used to assist us in identifying topics for future audits.

Referrals and enquiries about the public sector

Our Office has a comprehensive management system to ensure those contacting us to request an audit or to raise a concern about the public sector receive a considered and prompt response.

In 2011-12, the average number of days taken to respond was three working days, with 96 per cent of all referrals and enquiries responded to within our target of 10 working days for standard and 30 days for complex referrals and/or enquiries. Both these indicators are an improvement on the previous year.

Table 9 shows the trend in the number of referrals and enquiries received. In 2011-12 we received significantly more concerns from members of the public and from Members of Parliament.

Referrals / enquiries received	2008-09	2009-10	2010-11	2011-12
Members of the public	58	68	51	82
Members of Parliament and parliamentary committees	11	13	8	17
Total	69	81	59	99

Table 9

Issues raised through referrals and enquiries that can be examined by the Office, under the [Auditor General Act 2006](#), are considered during our audit topic selection process (refer to [page 111](#)).

The [Auditor General Act 2006](#) provides for the Office to undertake audits into the efficiency and effectiveness of agencies and programs. Our focus is on systemic weaknesses rather than a one-off issue affecting an individual. We refer one-off issues to other sources of potential assistance, such as the Ombudsman who has a mandate to consider administrative issues affecting individuals. Importantly, we do record all individual concerns as they can provide an indication of wider issues across government.

This year, no specific agency or issue was repeatedly raised although the clear majority of concerns were classed as governance matters. The remainder were evenly distributed across the categories of service delivery, economic development and social and environmental matters.

Our Performance

No special investigations were commenced in 2011-12, however we did conclude three special investigations that we commenced in 2010-11.

Special investigations

We define a special investigation as work that arises outside our normal topic identification and selection processes. Special investigations typically relate to possible mismanagement of public resources and are often referred to us from one of the other integrity agencies, including the [Corruption and Crime Commission](#), the State [Ombudsman](#) and the [Commissioner for Public Sector Standards](#). This work can take priority depending on the nature of the matter requiring investigation.

No special investigations were commenced in 2011-12, however we did conclude three special investigations that we commenced in 2010-11.

The first was a result of a referral raised by a member of the public and resulted in a report tabled in Parliament on 28 June 2012, '[Department of Commerce Support to the Plumbers Licensing Board](#)' (refer to [page 28](#)).

The second investigation was the result of a referral raised by two Members of Parliament. This investigation resulted in a report tabled in Parliament on 7 September 2011, '[Acceptance of Gifts and Benefits by Public Officers in the Department of Health](#)' (refer to [page 37](#)). A related audit was also tabled in Parliament on 13 June 2012, '[Pharmaceuticals: Purchase and Management of Pharmaceuticals in Public Hospitals](#)' (refer to [page 30](#)).

The final investigation was the result of a joint referral raised by a member of the public and a Member of Parliament. We determined that a full investigation was not required on the particular matter raised, however associated matters will still be examined through upcoming compliance and performance audits due to be completed in 2012-13.

Public interest disclosures

The Office is one of a number of accountability agencies under the [Public Interest Disclosure Act 2003](#) to which people can make public interest disclosures (PIDs). Key executive members are authorised PID Officers and have received appropriate training to effectively manage disclosures. The Office received no new PIDs during 2011-12.

PIDs Registered	2008-09	2009-10	2010-11	2011-12
By year	2	0	0	0
Total to 30 June 2012	13	13	13	13

Table 10

To date, no PID investigation has resulted in a report to Parliament. Nevertheless, our PID investigations generally lead to some recommendations being made to agencies to improve their procedures or controls. There have been no discernible trends or themes identified from registered PIDs.

Our Performance

Overall satisfaction with Auditor General reports and services continues to be high with 90 per cent of MPs satisfied/very satisfied.

Members of Parliament survey

Each year [Orima Research](#), an independent research company, administers a survey of the [Members of Parliament](#) (MPs) to measure the extent to which they agree that the Office's services and reports contribute to improved public sector accountability and performance.

In 2012, ninety-five MPs were invited to participate in the survey and 55 per cent participated. This response rate is slightly down from 60 per cent last year and 57 per cent in 2010, but significantly higher than the 45 per cent response rate in 2009.

Overall satisfaction with Auditor General reports and services continues to be high with 90 per cent of MPs satisfied/very satisfied, however this result was a slight decline from the 2011 rate of 91 per cent.

Table 11 shows the percentage of respondents to the survey who 'agreed' or 'strongly agreed' with three specific indicators. The results of this survey are not part of our suite of key performance indicators but are considered important in understanding the Office's operational performance. These particular indicators are reported on an annual basis.

Indicator	2008-09 Actual %	2009-10 Actual %	2010-11 Actual %	2011-12 Actual %
The Office of the Auditor General is effective in achieving its desired outcome of informing Parliament on public sector accountability and performance of the public sector	91	84	81	82
Reports dealt with matters of significance to Parliament	93	90	89	91
Services and reports of the Office of the Auditor General are useful to Parliament	91	95	93	92

Table 11

Even though these results indicate that this Office is continuing to contribute to improved public sector accountability and performance, they also show areas where we can improve. The Office is working to address any potential issues emerging from these survey results.

We are currently reviewing the delivery of our annual MP survey with the intent of delivering it to MPs for completion online. The aim of online delivery is to make it easier for MPs to participate, thereby encouraging a higher response rate, and to reduce the time taken in collecting and analysing the results. We are aiming to have this in place for the 2013 survey.

Our Performance

Reports tabled in 2011-12

The following is a summary of our 2011-12 audit reports tabled in Parliament. The complete reports are available on our website www.audit.wa.gov.au.

Media interest in our reports helps to raise awareness of our role and our work. It also helps us to understand whether the issues we choose are of interest to the public. Website download statistics also provide an indication of the degree of public interest in our reports. While not official key effectiveness or efficiency performance indicators (as outlined on [page 21](#)), these provide us with another measure of our ongoing performance in meeting our outcome of 'an informed Parliament on public sector accountability and performance'.



Report (date tabled)	Indicative media coverage	Web hits (at 30 June 2012)
Information Systems Audit Report (28 June 2012) <ul style="list-style-type: none"> • Security of Online Transactions • Follow-up audit: Cyber Security in Government Agencies • Application Controls Audits • General Computer Controls and Capability Assessments for Agencies 	West Australian, WA Today, Sydney Morning Herald, The Canberra Times, ZD Net, Computer World, The Register, IT News, CIO, PS News, ABC 720, 94.5fm	433

Security of Online Transactions

Five of the nine agencies we audited were securely managing online transactions. These agencies were not handling cardholder data through their online transactions systems – by choosing not to handle cardholder data, they had substantially minimised risks and compliance costs. Four agencies were handling cardholder data but did not meet the required industry standards in a number of key areas – these agencies have not effectively managed the risk of cardholder data being compromised.

We found no evidence of cardholder data being compromised. However, we identified opportunities for all agencies to strengthen controls relating to risk management, network security, policies and overall security of their general computer systems.

Follow-up audit: Cyber Security in Government Agencies

Overall cyber security for government agencies has improved since our first 'Cyber Security' audit in 2011, due to the government's Internet service provider, [ServiceNet](#) blocking common attack methods. However, once this layer of security was removed, agencies remained vulnerable. We found many of the same control weaknesses at agencies that we identified in our previous audit. Our 'social engineering' exploits confirmed that agency staff remain the weakest link in cyber security.

Application Controls Audits

Each of the applications we reviewed had control weaknesses. In total we identified 34 control weaknesses with the five business application systems audited. Security control weaknesses made up 52 per cent of the findings. The control weaknesses identified have the potential to compromise the integrity, confidentiality and availability of applications and the information they store and handle.

General Computer Controls and Capability Assessments for Agencies

We reported 345 general computer controls issues to agencies in 2011. More than half of the agencies we assessed using capability models had not established adequate controls to manage IT Operations, information security and business continuity. Forty-eight per cent did not have adequate controls in place for management of IT risks.

We noted that 54 per cent of agencies we audited this year improved controls compared to the previous year where only 15 per cent made improvements. These were mainly in the areas of change management and physical security. Some agencies have recognised opportunities to implement simple yet effective controls for their computing environments.

Twenty per cent of agencies had not made improvements in their control environments from the previous year. Eighty-three per cent of these agencies need to make improvements in at least one or more of the audit areas we review each year.

Information Systems Audit

What we do and how we do it

Each year since 2009, we have tabled in Parliament a stand alone Information Systems Audit report. This report, which was the first of its kind in Australia, contains:

- The results of at least one specific audit topic (eg [Security of Online Transactions in 2012](#), [Cyber Attacks in 2011](#) and [Security of Laptop and Portable Storage Devices in 2010](#)).
- An audit of the application controls in place for key business applications at select agencies. Applications are the software programs that are used to facilitate key business processes of an organisation. For example finance, human resource, licensing and billing are typical processes that are dependent on software applications. Application controls are designed to ensure the complete and accurate processing of data from input to output.
- The results of our annual General Computer Controls (GCC) audits and capability assessments.

While the first two items generally receive most media attention and tend to have immediate impact across the public sector, it is the third item that receives less of the public attention but that is also having direct impact on the activity of the public sector.

The objective of our GCC audits is to determine whether the computer controls effectively support the confidentiality, integrity, and availability of information systems. General computer controls include controls over the information technology (IT) environment, computer operations, access to

programs and data, program development and program changes.

We use the results of our GCC work to inform our capability assessments of agencies. Capability maturity models are a way of assessing how well developed and capable the established IT controls are and how well developed or capable they should be. The models provide a benchmark for agency performance and a means for comparing results from year to year.

The models we developed use accepted industry good practice as the basis for assessment. Our assessment of the appropriate maturity level for an agency's general computer controls is influenced by various factors. These include: the business objectives of the agency; the level of dependence on IT; the technological sophistication of their computer systems; and the value of information managed by the agency.

Establishing a benchmark for agencies

By establishing a benchmark for agency performance and a means for comparing results from year to year we have given agencies a clear goal to strive for and as a result we are noticing a positive trend in agency performance in this area.

While the improving trend is encouraging we still identified in our 2012 report that 42 per cent of agencies are failing to meet our benchmark in at least one of the general computer control areas we audited.



Making a difference

Additional to improved benchmarking results, our audit work has contributed to enhanced government Information Systems policy, including the development of the Government's '[Good governance guidelines for securing the Western Australian Public Sector's electronic information](#)' in 2010 and a circular from the Public Sector Commissioner to all agency CEO's in relation to information and internet security in 2011.

International recognition

Our Director Information Systems Audit, Peter Bouhlas, travelled to Jakarta in early 2011-12 at the invitation of the Chairman of the [Indonesian Audit Board](#), in conjunction with the [Australian National Audit Office](#), to provide advice on their eAudit project. This project will see the implementation of Indonesia's largest database involving more than 2000 agencies. Peter's involvement came about as a result of the 2011 [ACAG Biennial Conference](#) at which he delivered a presentation on our IS audit program and is a good reflection of the respect our IS audit work continues to receive throughout Australia and abroad.

Our Performance

Reports tabled in 2011-12



Report	Indicative media coverage	Web hits (at 30 June 2012)
Public Sector Performance Report (28 June 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 Festival¹ 	PS News, The West Australian, ABC 720	183

Regional Procurement

The objective for this audit was to establish whether agency procurement in regional areas complies with government policy and good practice. We found that no agency fully complied with procurement policies and guidelines. Common weaknesses included; not sufficiently testing the market to ensure value for money, lack of documentation of purchasing decisions, not publishing awarded contracts when required, insufficient guidance to purchasing staff on how and when to apply Buy Local and Value for Money policies, and when to seek assistance from the Department of Finance procurement office.

Department of Commerce Support to the Plumbers Licensing Board

The [Plumbers Licensing Board](#) (Board) contacted the Auditor General in April 2011 raising concerns about the use of its funds by the [Department of Commerce](#) (Commerce), and the quality of support provided to it by Commerce. The resulting audit found that Commerce and the Board did not have a common understanding of roles and responsibilities, particularly control of funds, leading to an ineffective working relationship.

The administration and reporting of the Board's finances by Commerce was deficient and the information provided to the Board was inadequate to enable it to effectively monitor risks, finances, and operational performance. The [Public Sector Commission's Principles of Good Governance](#) were not met in relation to clarity of roles and responsibilities, involving Boards in significant decisions affecting matters within their mandates, and providing timely, accurate and complete information.

Ministerial decision not to provide information to Parliament on the amount of funding Tourism WA provided for the Perth International Arts Festival¹

The Auditor General found a decision by Minister Hames not to provide information to Parliament on the annual funding of the four year sponsorship agreement between [Tourism WA](#) and the [University of Western Australia](#) for the [Perth International Arts Festival's](#) opening events, was reasonable and appropriate.

The Auditor General's opinion was determined based on the fact that Tourism WA uses an appropriate confidentiality clause in its funding contracts, and the information in question could also be shown to have commercial value and its disclosure could cause commercial harm to the State. He also found the Minister's decision was supported by appropriately documented assessment against reasonable criteria for determining commercial sensitivity and possible detriment to the State.

¹ Section 82 of the [Financial Management Act 2006](#) requires Ministers to give Parliament and the Auditor General written notice where they decide that it is reasonable and appropriate not to provide information requested by Parliament. Section 24 of the [Auditor General Act 2006](#) requires the Auditor General to form an opinion on the reasonableness and appropriateness of the Minister's decision and report this opinion to Parliament.

Our Performance

Reports tabled in 2011-12



Report	Indicative media coverage	Web hits (at 30 June 2012)
<i>New Recruits in the Western Australia Police</i> (20 June 2012)	West Australian, WA Business News, WA Today, Sydney Morning Herald, The Canberra Times, Kalgoorlie Miner, PS News, Ch 9 News, Ch 10 News, ABC 720, ABC News, 6PR, ninemsn, Shortlist Recruitment News, 94.5fm, 96fm, CFM	1 005

This audit found that although to date [WA Police](#) had delivered the right number of trained officers, based on the current application and attrition rates it was unlikely to meet its overall target of recruiting an additional 200 police officers by 2013-14.

We identified a number of emerging risks in recruitment and training processes that WA Police needs to address to make sure that the right people are recruited and those who reach the frontline have all the necessary skills and experience.

In order to become a police constable, applicants need to complete three main steps; the recruitment and selection process, six months of intensive training at the Police Academy and 18 months of on-the-job training during probation. We noted that once a person is recruited for training as a police officer, almost all will go on and complete their academy training and probation, placing heavy reliance on the selection process – but there were indications that it does not always identify the ‘right’ candidate.

This audit also identified that:

- WA Police selection criteria was based on its ‘22 dimensions of a police officer’, which was developed in 1987 but had not been reviewed since.
- Psychological testing was also used as part of the recruit selection process, but there is inconsistency in how the results of these tests were reviewed and often the results do not match final recruitment decisions.
- The number of indigenous officers was significantly less than the WA Police target of three per cent.

- While the proportion of women officers had increased to almost 21 per cent in 2011, it falls short of the target of 30 per cent and is one of the lowest compared to other Australian police forces.
- WA Police was providing an increasing level of remedial training and investing significant resources to bring its weaker recruits up to standard.
- Probation was not consistently structured, supervision was inconsistent and more constables were coming off probation early.

Policing is a challenging job and the community relies on police officers to deal with difficult and often dangerous situations, so the Auditor General was pleased that WA Police had begun taking action to address some of the findings and recommendations of this report to help ensure the continued safety and effectiveness of police officers and the trust and confidence of the community.

POINT OF INTEREST

In addition to document review, data analysis and conducting interviews, an extensive online survey was sent to all sworn officers to gather their views. 1 162 responses were received, representing a 20 per cent response rate.

Our Performance

Reports tabled in 2011-12



Report

Pharmaceuticals: Purchase and Management of Pharmaceuticals in Public Hospitals (13 June 2012)

In this audit we assessed how well the [Department of Health](#) (WA Health) and six of its hospitals manage pharmaceutical purchasing and how well they control the risks of unauthorised access and use. We found that controls over WA Health's pharmaceutical purchasing were weak. Because of this there was a risk that purchases may not represent value for money, be transparent and accountable or promote open and effective competition for suppliers.

WA Health has implemented controls to address some of the risks associated with unauthorised access and use of pharmaceuticals. However, some key controls are absent or ineffective. These weaknesses mean there is still an unacceptable risk that pharmaceuticals could be subject to unauthorised access and use.

Indicative media coverage

West Australian, Government News, WA Business News, Perth Now, Adelaide Advertiser, Sydney Morning Herald, WA Today, PS News, Canberra Times, Delimiter, Trading Room, Campus Daily, Medical Search, ABC 720, ABC News, 6PR

Web hits

(at 30 June 2012)

1 757

This audit follows on from an investigation conducted in 2011 '[Acceptance of gifts and benefits by public officers in the Department of Health](#)'. Since this investigation, Health has made some progress in addressing conflicts of interest issues, including the introduction of a new gifts policy, however this audit highlights that more remains to be done, including the implementation of Health's travel policy.

POINT OF INTEREST

In order to test the reliability of the information WA Health has about the gifts and benefits its officers receive we asked a sample of 32 pharmaceutical companies listed in the WA Health's purchasing system to inform us of what gifts and benefits they had provided to Department officers and compared this against the Department of Health's own records. We received detailed responses from 27 companies.



Report

Victim Support Services: Providing assistance to victims of crime (16 May 2012)

This audit looked at the extent to which victims of crime were using the [Victim Support Service](#) (VSS) provided by the [Department of the Attorney General](#). We also looked at whether the service was improving outcomes for victims, if the service complied with internationally recognised good practice and whether the service and collaborating agencies were working effectively together.

We found the VSS is delivering a valued service that aligns with both legislation and good practice. However, not all the victims VSS would regard as having the highest need for the service are informed of, or referred to it.

Indicative media coverage

ABC 720, WA Today, Sydney Morning Herald, PS News

Web hits

(at 30 June 2012)

283

The service could also make better use of existing information and feedback to ensure it is delivering the most effective and efficient service for victims. Once victims are referred and accepted for VSS services, VSS effectively collaborates with other agencies to meet victims' needs.

POINT OF INTEREST

In conducting this audit we interviewed and surveyed VSS agency staff, contractors and volunteers. We examined agency documents and data. We observed staff and volunteers providing services. We tested agency referral processes and timeliness of referrals. And, we consulted victim's representative groups, the judiciary, and the [Office of the Director of Public Prosecutions](#).

Our Performance

Reports tabled in 2011-12



Report	Indicative Media coverage	Web hits (at 30 June 2012)
<i>Audit Results Report</i> (16 May 2012) <ul style="list-style-type: none"> • Accuracy of Leave Payments • Act of Grace Payments • Supplier Master Files 	Australian Financial Review, PS News	922

Annual Assurance Audit Results

This report primarily contains the results of the annual audit of state universities and state training providers.

Audit Opinions

All four universities, their subsidiaries and 10 state training providers received clear audit opinions for the year-ended 31 December 2011.

Ninety-four financial and management control weaknesses were reported to universities and state training providers. This was slightly less than last year. The number of significant issues also reduced compared to the previous year.

Eighty-five information systems control weaknesses were identified in 2011, of which 35 were unresolved issues from previous audits.

Two universities and three state training providers were rated as better practice agencies for their good financial controls and reporting practices in 2011.

Procedures for following up and checking the concession entitlements of students at state training providers need strengthening at most institutes.

Across Government Benchmarking Audits

Our new 'Across Government Benchmarking Audits' build on the annual assurance audits and are aimed at providing an indication to Parliament and agency management of how agencies are performing relative to each other on common business practices.

Accuracy of Leave Records

Improvements including the reconciliation of leave and attendance records are needed at most of the 11 agencies tested. Instances were identified where staff had taken leave but their leave balances had not been reduced.

Act of Grace and Like Payments

Generally good practices for justifying and seeking approval for Act of Grace payments were evident at the 13 agencies audited. The need for ministerial approval for small dollar values warrants review for cost effectiveness. By contrast, approval for out of court settlements, which can be significant in value, warrants review to ensure transparency.

Supplier Master Files

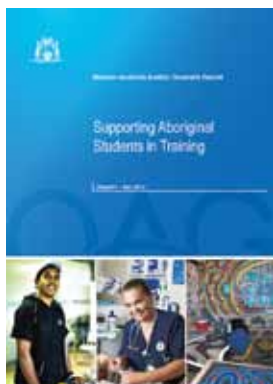
Improved monitoring, review and management of Supplier Master File records is needed at all eight agencies audited, to reduce the risk of duplicate payments, other errors or fraud.

POINT OF INTEREST

This is the first year we have conducted the across government benchmarking audits and these are now a regular feature of our audit program.

Our Performance

Reports tabled in 2011-12



Report	Indicative media coverage	Web hits (at 30 June 2012)
<i>Supporting Aboriginal Students in Training</i> (2 May 2012)	West Australian, ABC 720, PS News	560

This audit found that the support provided by the Department of Training and Workforce Development (the Department) and State Training Providers (STPs) for Aboriginal students works. It makes a difference to individuals, communities and employers. The support meets most aspects of best practice – it is flexible, culturally appropriate, delivered in Aboriginal communities and ‘wraps around’ students. At all STPs we met individuals with improved

job opportunities and self-esteem, and learned of communities with better social and physical infrastructure. Without the support services provided by STPs, training and employment outcomes for Aboriginal people would be worse.

However, there is only so much STPs can do. Effective support is inherently intensive, tailored, place based, long term and relies heavily on individuals. It is not suited to generic or standardised delivery and the scope for productivity gains are limited. The complexity of problems faced by many Aboriginal students means that STPs cannot meet all needs.

Performance measures for Aboriginal students show that more students are completing their study and are getting qualifications. This indicates that support services help Aboriginal people to stay and finish their training. But improvements in outcomes are not consistent. Participation numbers are static and Aboriginal students are not catching up to the general student population.

Although the support provided was effective, the Department and STPs can improve how they measure its effects, giving them greater capacity to manage and tailor the support. This would include performance measures and other information which evaluate the broader social and community benefits derived from training support services. It would also include improving how they share knowledge on best practice and address service gaps.

POINT OF INTEREST

In conducting this audit we interviewed 100 Aboriginal students, senior management at the Department and STPs, Aboriginal and non-Aboriginal lecturing and support staff and employers and employer organisations. We also consulted with the [Western Australian Aboriginal Advisory Council](#) and WA's [Commissioner for Children and Young People](#). We met with representatives of the [Department of Indigenous Affairs](#) and the Commonwealth Department of Employment Education and Workplace Relations. We conducted field visits to metropolitan and regional training facilities, and we observed training delivery in two remote Aboriginal communities. We also analysed data and documents from the Department, STPs, and other organisations.

Our Performance

Reports tabled in 2011-12



Report	Indicative media coverage	Web hits (at 30 June 2012)
<i>Beyond Compliance: Reporting and managing KPIs in the public sector</i> (2 May 2012)	Government News, PS News	1 029

In this report we assessed the maturity of KPI processes in 10 agencies against six attributes of better practice. We found there was a range of maturity in how agencies managed and reported their KPIs. All agencies performed strongly or better in some key areas and generally met the specific legislative and other requirements. Two agencies showed a high level of maturity in that they were strong or better in most of the areas we looked at.

The best performers had gone beyond simple compliance. Their annual reports had clear and easily understood KPI information, they had developed good processes that delivered what they needed, had designed appropriate indicators, and used KPIs to guide and inform management decisions. Better practice tended to occur where an agency's core business could easily be linked to concrete outcomes.

We also found areas where agencies had difficulties in managing KPIs. The key challenges agencies faced were:

- making annual reporting about KPIs easily understood by non-specialist readers
- having a sound basis for setting targets against which performance will be measured
- ensuring that the suite of KPIs covered the most important parts of agency activity, and that they were the best way to measure performance
- documenting processes and guidance for managing and reporting KPIs.



Report	Indicative media coverage	Web hits* (at 30 June 2012)
<i>Opinion on Ministerial decisions not to provide information to Parliament on the amount of funding Tourism WA provided for some events¹</i> (22 February 2012)	n/a	341

The Auditor General found a decision by Minister Hames not to provide information on the amount of funding **Tourism WA** provided to the Top Gear Live Theatre Show in addition to nine events held in regional Western Australia, was reasonable and appropriate. The Minister provided funding information for some other regional events as requested.

The Auditor General's opinion was determined based on the fact that Tourism WA uses an appropriate confidentiality clause in its funding

contracts, and the information in question could also be shown to have commercial value and its disclosure could cause commercial harm to the State. He also found the Minister's decision was supported by appropriately documented assessment against reasonable criteria for determining commercial sensitivity and possible detriment to the State.

¹ Section 82 of the *Financial Management Act 2006* requires Ministers to give Parliament and the Auditor General written notice where they decide that it is reasonable and appropriate not to provide information requested by Parliament. Section 24 of the *Auditor General Act 2006* requires the Auditor General to form an opinion on the reasonableness and appropriateness of the Minister's decision and report this opinion to Parliament.

Our Performance

Reports tabled in 2011-12



Report	Indicative media coverage	Web hits* (at 30 June 2012)
<i>Working Together: Management of Partnerships with Volunteers</i> (22 February 2012)	PS News	425
<p>In Western Australia, volunteers contribute to the delivery of public services in diverse areas and in a wide variety of ways. The individuals and groups engaged in volunteer partnerships with government agencies increase the capacity of many services and benefit our community.</p> <p>The State Government has recognised this and for some 20 years has published a commitment and guidelines for public sector agencies to value, promote and support volunteer partnerships. The guidelines recommend good practice principles for public sector agencies managing volunteer partnerships.</p> <p>This audit examined whether four agencies were managing their volunteer programs in line with state government guidelines. We looked at six programs where the agency directly manages volunteers' day to day activities.</p> <p>We found that while some good practice was found in the programs we audited, overall agencies were not consistently meeting government's good practice principles. As a result there is a risk that the important relationships between agencies, volunteers and the broader community, as well as the services delivered, could be compromised.</p> <p>POINT OF INTEREST</p> <p>In 2011, Western Australians were estimated to volunteer around 288 million hours, valued at \$9.4 billion.</p>		



Report	Indicative media coverage	Web hits* (at 30 June 2012)
<i>The Management of Offenders on Parole</i> (23 November 2011)	West Australian, Sydney Morning Herald, WA Today, PS News, Perth Now, ABC 720, ABC News, Ch 10 News, 96fm, 6PR	439
<p>In this audit we found that parole has benefits and risks. It is a cost effective way to supervise some offenders, and can help reduce the long term risk of reoffending. However, it also creates a short term risk – a risk that can be lessened but not eliminated by good management of the parolee by the Department of Corrective Services (DCS).</p> <p>Achieving the best balance between these risks can be difficult. DCS has undertaken numerous reviews of how it manages parolees and then taken steps to improve its practices. This includes a new Enforcement Policy that more strictly requires parolees to comply with their parole conditions. Non-compliance invariably leads to cancellation of parole. This addresses short term risk by removing the opportunity for parolees to reoffend in the community but DCS does not yet know what impact this will have on long term reoffending rates.</p> <p>DCS has also updated its policies to make supervision and reporting requirements more clear and so overcome a high level of inconsistent supervision of offenders. Inconsistent supervision can also increase the short term risk to the community. These actions have had some success though inconsistent supervision is still evident. Although DCS has taken a number of measures to communicate the new enforcement policy to staff, not all staff fully understand or apply the new policy.</p> <p>Although the policy framework has been improved, some gaps remain in the monitoring it requires of parolees. In particular, there is limited monitoring of some parole conditions. Not adequately checking compliance with these parole conditions may enable a parolee to return to behaviours that initially contributed to their imprisonment.</p> <p>POINT OF INTEREST</p> <p>This audit focused on prisoners paroled from metropolitan Western Australian adult custodial facilities as two thirds (66 per cent) of parolees are based in the metropolitan area.</p>		

Our Performance

Reports tabled in 2011-12



Report	Indicative media coverage	Web hit* (at 30 June 2012)
<i>Audit Results Report – Annual 2010-11 Assurance Audits</i> (9 November 2011)	PS News	684

This report summarises the results from our audits of 160 agencies with a 30 June 2011 year-end as well as the results from a range of other financial audit activities.

Six agencies received qualified audit opinions and four received a Matter of Significance paragraph with their opinion, drawing attention to matters of concern that did not warrant a qualified opinion.

Overall however, agencies improved their annual financial reporting for 2010-11, with more than half the agencies rated as 'better practice' for their financial reporting and controls. We identified and reported a notable increase in shortcomings in agency key performance indicators (KPIs) including five agencies that received qualified audit opinions for

their KPIs. This was partly a result of rotating our focus onto KPIs for 2011, but given these results, we continued our focus on KPIs with the tabling of our KPI report April 2012.

The annual Statements of Corporate Intent (SCIs) for the majority of agencies operating at arm's length from government were again not tabled in Parliament within timeframes required by legislation. The Department of Treasury is coordinating projects that are intended to address this continuing non-compliance.

We identified 410 financial control deficiencies in 2010-11, up from 366 the previous year. There was however a decline in significant issues requiring prompt attention.

A feature analysis of Western Australia's eight port authorities found an overall increase in shipping and trade activity that resulted in a 21 per cent increase in revenue.



Report	Indicative media coverage	Web hits* (at 30 June 2012)
<i>Use of CCTV Equipment and Information</i> (19 October 2011)	West Australian, Government News, Sydney Morning Herald, ZD Net, WA Today, PS News, Bunbury Herald, WIN News, ABC 720, ABC News, Ch 10 News, Triple J, 6PR	642

The focus of this audit was to assess whether decisions to install or access Closed Circuit TV (CCTV) or to fund local government installations were adequately based and whether the facilities are properly managed and anticipated benefits realised. Five entities in total including three local governments were included in the audit.

We found installations and decisions to fund were based on the integration of CCTV into broader security strategies and most

facilities we examined are well managed. The public can be reasonably assured that CCTV imagery is secured to protect the privacy of people going about normal lawful business.

Some entities could demonstrate clear benefits from use of CCTV. However there is a potential to realise greater benefits through better sharing and more strategic use of CCTV information by Police and local governments.

The significant potential of the Blue Iris system is not being realised. Better management, administration and commitment are needed from Police if it is to deliver coordinated and effective use of CCTV information.

POINT OF INTEREST

As part of this report we used follow-the-dollar powers contained in the *Auditor General Act 2006* to audit how three local governments expended and managed government funding for CCTV. This is powerful legislation that some other Australian governments are only now advancing for their own audit offices.

Our Performance

Reports tabled in 2011-12



Report

Ensuring Compliance with Conditions on Mining
(28 September 2011)

Indicative media coverage

Australian Financial Review, West Australian, Perth Now, WA Today, ABC 720, 6PR, 94.5fm, ABC News, 4 Traders, Australian Mining, Augusta Margaret River Mail, Resources Career, National Indigenous Radio, Mining News Premium, Trading Room, Business Day, PS News

Web hits*

(at 30 June 2012)

1 069

This audit examined whether the monitoring and enforcement activities of key agencies provide adequate assurance that mining in Western Australia meets the conditions placed upon it.

We found the legislation and powers are in place to enable agencies to monitor and enforce compliance with mining conditions.

However, the way agencies have implemented this framework

means they do not provide assurance on the overall levels of compliance with conditions, or whether the conditions deliver the desired outcomes.

Responsibility for monitoring and ensuring compliance with conditions rests with several agencies, and performance varies significantly across these agencies, and across key conditions. Financial returns to the State are well managed but broader economic and social returns are not well monitored or enforced. Weaknesses in agency practice mean that we could not give assurance that environmental protection conditions are being met.

Currently, the State has only limited financial security against the risk of operators not adequately rehabilitating mines. To address this risk the State is reviewing both the financial bonds required from operators as well as rehabilitation planning requirements.

POINT OF INTEREST

Mining natural resources underpins Western Australia's economy and development. The mining industry directly employs 70 000 people and generated \$4.9 billion in royalties in 2010-11.

Our Performance

Reports tabled in 2011-12



Report	Indicative media coverage	Web hits* (at 30 June 2012)
<i>Second Public Sector Performance Report</i> (7 September 2011) <ul style="list-style-type: none"> • Use of ICT contractors • Acceptance of Gifts and Benefits by Public Officers in the Department of Health 	West Australian, WA Today, The Australian, Adelaide Now, Courier Mail, ABC 720, ABC News, Ch 7 News, Ch 9 News, Ch 10 News, 6PR, 94.5 FM, 96.1 FM, ZD Net, Computer World, WA Business News, International Business Times, Delimiter, IT News, CRN Australia, PS News	563

Use of ICT Contractors in Government

This audit examined whether six agencies are strategically managing ICT contractors to achieve agency objectives and in accordance with government policy and guidelines. We also examined the role of the Department of Finance in pre-qualifying and monitoring suppliers

to Common Use Arrangements (CUAs) 14008 – ICT Services, and 22008 – Temporary Personnel, Category 4 – Temporary ICT Personnel.

We found that one agency planned, procured and managed ICT contractors well. The other agencies needed to strengthen their processes to ensure they were managing strategically and promoting open and effective competition to achieve value for money. Specifically four of the agencies lacked either comprehensive or up-to-date strategic ICT plans, three agencies did not fully comply with procurement policy for some of their contracting arrangements, potential conflicts of interest were not effectively recognised and managed at three agencies.

We also found that the [Department of Finance](#) had a robust pre-qualification process to list suppliers on CUAs 14008 and 22008 and administered it well overall. However it could improve its ongoing monitoring of suppliers through the life of the CUAs to ensure they remain appropriately qualified to deliver services.

Acceptance of Gifts and Benefits by Public Officers in the Department of Health

In May 2011, the Minister for Health tabled a report that gave details about the acceptance of 234 offers of free travel and accommodation and 25 other gifts since July 2010. In June 2011, the Minister and a member of the opposition requested the Auditor General investigate the [Department of Health's](#) management of gifts.

We found that free travel and accommodation was properly approved and the anticipated benefits were documented, but the conflict of interest risks were not well recognised or managed.

Our testing did not find any instances of officers who accepted free travel and accommodation being involved in evaluating contract bids by the companies that supplied them with the free travel. We did however find non-travel gifts that were accepted in breach of Department policy.

Since this audit the Department has revised its approach to managing gifts and sponsored travel and is implementing policy and process improvements to address concerns.

Our Performance

Reports tabled in 2011-12



Report	Indicative media coverage	Web hits* (at 30 June 2012)
<i>Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools</i> (31 August 2011)	Perth Now, WA Today, West Australian, ABC News, ABC 720, 6PR, Unions WA, PS News, 94.5fm, Ch 10 News, Community News, Campus Daily, WA Business News	487

This audit focused on the filling of teacher vacancies in public schools at metropolitan, country and remote locations.

We found that having a staffing approach that delivers the right teacher to the right place at the right time is critical to students achieving successful educational outcomes. Despite critical findings from five reviews in 10 years the [Department of Education](#) (DoE) has been deterred, until recently, from making significant changes to its staffing processes. This has been due to the complexity of the challenge and the risk of failure.

In the past three years, DoE has incrementally introduced alternative staffing processes that allow schools to opt out of the central placement process. However, DoE has not undertaken a comprehensive and structured risk analysis of these changes to staffing processes. Doing so should be a priority as 2012 could be the first year that a majority of positions are filled through devolved processes.

DoE has informally identified some risks associated with changing staffing processes, however risk management strategies have not yet been put in place to address these. Failure to address risks could eventually result in unfilled vacancies as well as disadvantaging some schools and teachers.

DoE has not yet established measures of efficiency and effectiveness based on clear objectives to enable it to assess whether the new processes are delivering improvements and benefits for schools, teachers and students.

POINT OF INTEREST

The Department of Education employed just over 22 000 teachers during 2011. Teacher salaries totalled just over \$2 billion (53 per cent) of DoE's 2010-11 budget of \$3.8 billion. In conducting this audit we sought information from teachers via an online survey. A total of 575 teachers responded to the survey.

*Due to a technical glitch experienced by our internet service provider, the report download statistics for the months of October, November, December, January and February were not recorded and cannot be recovered. This will impact on the download statistics of all our reports tabled prior to March 2012.

Please also note that the list of media coverage is an indicative list only, it is not an exhaustive list of the media coverage received. Many articles and stories were repeated across media organisations and many media outlets ran more than one item on the same report.

Managing Our Office

Our core business is reporting on how effectively and efficiently the public sector uses the resources entrusted to it. Therefore, it is imperative that we ensure our own activities are conducted with optimum efficiency and effectiveness. In order to achieve this, we rely on the competence, dedication and enthusiasm of our workforce. We aim to be exemplary in the management of our people and their working conditions. We strive to provide an environment that supports our employees and encourages them in their role of meeting the desired outcomes of this Office.

Workforce Development Plan

In late 2010, the Office commenced a workforce planning process utilising external expertise for the environmental scanning, research and analysis. The result of this work was an ambitious Workforce Development Plan 2011-2016.

This comprehensive Plan aligns with our OAG [Strategic Plan 2011-2016](#), and includes a number of strategic objectives under which a range of specific action items are detailed with measures and milestones. The strategic objectives are:

- Data Management and Utilisation
- Leadership and Management
- Organisational Structure
- Attraction and Retention
- Knowledge Management

The first year of the Plan has already seen a number of distinct achievements:

- We have strengthened our graduate recruitment program through revised timing of advertising and selection, refined advertising and strategic 'nurturing' of preferred applicants from interview stage through to commencement.
- We have strengthened our graduate induction program with the development of a more comprehensive, targeted and hands-on program that spans a period of three weeks.
- We have implemented the OAG Leadership and Management Program for [Corporate Executive](#) and all managers. The entire Program is staged over a two year period with each cohort taking approximately nine months to complete and deliver their learning outcomes. The primary aim of this level of investment is providing advanced leadership and management skills for all our leaders, effectively resulting in a united approach to, and common language of management at the OAG.
- We have created a more targeted and strategic Professional Development Program, which is delivered monthly to the different OAG Divisions and specific employee roles.
- We had an external review conducted of our Assurance Services Division to identify any opportunities for increased efficiencies.
- Internal reporting has been significantly reviewed and streamlined, providing more timely, accurate and meaningful information that supports business decision making and improves our operational rigour.
- Increased use of blended learning solutions, incorporating a broad range of traditional methodologies with new technologies such as online courses and webcasts of national speakers. The online courses especially allow delivery of training to employees in progressive rollouts with timing that suits differing operational needs; at locations other than head office; and in response to individual commencements.
- Improved university contacts with business school heads, increasing awareness of the Office and employment opportunities for specific student groups.
- In complying with the Public Sector Standards for Human Resource Management formal procedures were fully developed, published and implemented for Managing Substandard Performance and Managing Discipline. The manuals are available for all employees on the intranet.
- Streamlined processes for new employee inductions that improve information flow to coordinate and facilitate the activities for both the inductees and the office personnel.

When compared to the 2010 survey, the results of our 2012 employee survey were very similar, with just minor movement in percentage measures.

Employee survey

In March 2012, we conducted a voluntary employee survey that gave all our employees the opportunity to provide feedback on their experience, thoughts, opinions and issues relating to their employment with the Office.

We conduct this survey every two years. The participation rate in 2012 was significantly lower than the previous survey, which highlighted for us the need to increase awareness and promote the survey with more emphasis in future years to ensure staff input and participation is encouraged.

When compared to the 2010 survey, the results of the 2012 employee survey were very similar, with just minor movement in percentage agreement or disagreement and satisfaction and dissatisfaction measures. In relation to general satisfaction at work, we saw a slight decrease in the percentage of respondents saying they were satisfied or very satisfied compared to 2010, however the percentage is still higher than in 2008 (see Figure 1).

Two areas where we saw improvement included professional development and our physical work environment. This is acknowledgment of the efforts we have taken to enhance and better target our professional development program (page 43). The move from Dumas House to our new office space at Albert Facey House has contributed positively to our physical work environment (refer to page 51).

Some areas for ongoing consideration were also identified including feedback, internal communication and information resources. While these areas did not receive overly negative responses, they are still areas we are keen to address and have already identified as opportunities for improvement. We have a number of strategies in place to address these, primarily through our [Strategic Plan 2011-2016](#) (refer to [page 14-16](#)) and the related Workforce Development Plan (refer to page 39).

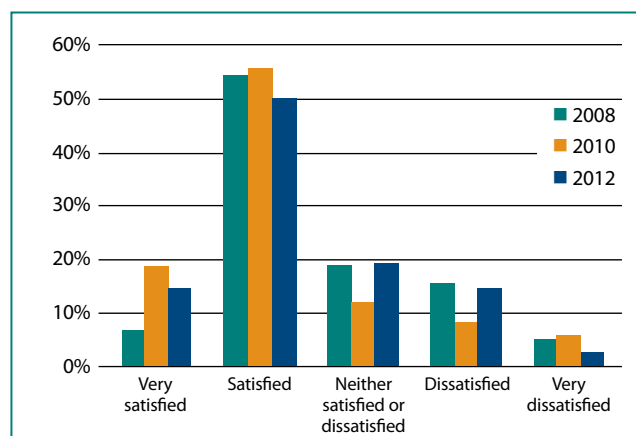


Figure 1: Percentage response to the question: Overall, how satisfied are you at work?

Our people

Table 12 shows an increase in employee numbers over the last two years. In part, this is an indication that our capacity to attract and retain employees continues to improve. A number of attraction initiatives have been implemented, increasing our exposure in key target areas.

Our ability to attract the right people for the right positions is particularly important as we increase the number of employees in our Performance Audit and Compliance and Information Systems Divisions to accommodate our increasing performance audit program.

An increase in our funding specifically to expand our work in the performance auditing area has allowed us to increase the number of staff in that area.

Employees by division at June 2012

	2009	2010	2011	2012
Auditor General Unit	7	5	6.3	4.65
Assurance Services	48.2	54.4	59.4	59.5
Compliance and Information Systems	14.5	11.3	11.7	12.17
Performance Audit	13.1	12.3	15.6	18.8
Standards and Quality	6.9	6.3	4.6	6
Strategy, Policy and Corporate Services	18.3	18.4	21.51	20.49
Total	108	107.6	119.11	121.61

Table 12

Staff attrition

Our attrition rate, at almost 17 per cent, is a significant increase from last year's 11 per cent. Of the 35 terminations in 2011-12, only eight (23 per cent) were resignations and the remaining 27 (77 per cent) were transferred to other public sector agencies. Our employees are highly trained and work across a wide range of functions and locations. While we are actively aiming to decrease our attrition rate, it is important to note that having audit trained and experienced employees in the public sector should ultimately benefit the Office and the public sector as their knowledge, practice, experience and audit expectations filter through our various client agencies.

Attrition is an issue for all audit offices and we are continuing to address our rate through a number of retention strategies identified in our workforce development plan to further enhance our competitiveness in recruiting and retaining quality staff (refer to [page 39](#)).

Code of Conduct

The Office reinforces the importance of adhering to its Code of Conduct by requiring all employees to annually sign a statement that they will comply with its requirements. The Code of Conduct is included in the induction program for new employees and is available on the Office intranet.

Employee relations

The Office continued to operate over the course of the year in a cooperative industrial climate, supported by the Office Consultative Committee. During the year we successfully renegotiated our contract with our Employee Assistance provider. The confidential Employee Assistance Program can be accessed by our employees and their immediate family members and de-identified data reports are received on its usage and reported to Corporate Executive. This enables the Office to detect trends in employee issues.

Graduate Development Program

In line with our [Workforce Development Plan](#), this year we further refined our graduate recruitment and induction program.

We advertised in March 2011 for our 2012 graduate intake. There were a number of initiatives and outcomes worth noting:

- We utilised the university student hubs (UWA, ECU, Murdoch, Curtin and Notre Dame) as well as SEEK, the CPA website and the ICAA Graduate Booklet to advertise for the 2012 intake.
- For the 2012 advertising we also notified all the Heads of Business/Accounting school lecturers and requested that they notify relevant graduating students of the opportunity.

- We advertised early for the 2012 intake, in March 2011, to bring us in line with commercial accounting firms' graduate program advertising. This included a new advertising approach and a 'grad friendly' web page. Opportunities to keep the new graduates interested during the year were utilised, including invites to OAG professional and social events.

For the 2012 intake, application numbers were down by 50 per cent, however we interviewed a similar number of applicants indicating that as a whole, the applications we did receive were of a higher quality than the previous year. As a result of our graduate recruitment process, we were pleased to welcome eight new graduates to the Office in February 2012.

Given the success of the 2012 graduate recruitment program, we followed a similar process for our 2013 intake.

The resulting number of applications for our 2013 graduate intake exceeded our expectations with a 56 per cent increase in applicant numbers. The quality from 2012 was maintained with a larger pool of applicants to choose from. [Corporate Executive](#) is currently determining the size of the final 2013 graduate intake.

Managing Our Office

My international secondment experience...

I was fortunate to work on exchange overseas with the [Office of the Auditor General of British Columbia](#), Canada, between July 2011 and July 2012. I worked as engagement leader on a number of exciting financial audits such as the [Pacific Carbon Trust](#). This experience broadened my professional knowledge and allowed me to develop some great working relationships. I was able to compare methodologies, accounting standards and general audit practices between the two audit offices. During the holidays, I travelled with my husband and three children through the Rocky Mountains and tried our legs at skiing for the first time in Whistler. The professional and personal experiences gained for myself and my family were priceless. Thank you to the Office for this wonderful experience!



Georgina Camarda, Assistant Director, Assurance Services Division – pictured with her husband Fedele in the snow while on secondment with the Office of the Auditor General of British Columbia.

Secondments, traineeships and work experience programs

The Office continues its strong support for school-based trainees, youth and work experience programs and placements. It continues to be rewarding to mentor and work alongside school-based trainees and watch them mature and develop into valuable members of the public service workforce. We are looking to utilise this support increasingly to strengthen our own attraction and recruitment practices, in addition to providing opportunities through universities and the [Public Sector Internship Program](#).

We continue to support secondment opportunities with public sector agencies as a way of allowing our employees to broaden their experience and expertise. Secondments to the Office allow us to draw from the expertise across the public sector creating learning and development opportunities for everyone involved.

This year we had:

Placements in 2011-12	Number
Secondments	
• Into the OAG from other agencies	7
• Out of the OAG to other agencies	14
Trainees	3
Work Experience	4

Table 13

We also actively encourage and support mentoring opportunities as a way of developing skills and building relationships. While predominately internal, some mentoring occurs between our employees and external public sector agencies.

University Liaison Program

We consider our relationship with the state universities an important part of our ongoing graduate recruitment program, our commitment to professional and academic development and as part of our annual Information Systems audit work.

Our Office has a number of initiatives in place to further develop, nurture and capitalise on our relationships with the universities, including:

- sponsorship of awards and scholarships at the five Western Australian universities – Curtin, Edith Cowan, Murdoch, Notre Dame and the University of WA
- recruitment advertising through the university hubs, particularly for our graduate program
- liaison with the Business School Heads regarding graduate positions and performance and compliance audit positions available
- intern placements with our Office, which provide direct links to the interns' specific university.

Performance Review and Development Program

Our Office actively supports performance review and development as a means for employees to receive meaningful, constructive and objective feedback and identify opportunities for specific professional and personal development.

Our current performance review tool aligns with our [Strategic Plan 2011-2016](#) and was developed with input from employees across all divisions.

Learning and professional development

The Office's Professional Development (PD) Program continued with sessions being led by both internal and external subject experts. The continually improving program has seen the monthly pattern embedded across the Office, resulting in high attendance levels. The agenda has evolved with regular [Corporate Executive](#) reports and specialised sessions targeted to the appropriate employees. We are continuing to further develop this targeted concept and are already seeing some improved feedback.

This year we established a PD Committee, which includes representatives from each of our divisions, to coordinate, monitor and evaluate our PD program.

The 2011–12 professional development sessions have included:

- efficiencies in financial audit
- parliamentary committees
- sampling techniques
- audit methodology
- independence
- professional scepticism
- risk management
- audit quality
- information technology tips and tricks for efficiency and accuracy
- innovation at work – with guest presenters from the East Perth Football Club
- human resources information and requirements
- new superannuation options for the Public Sector
- continuous improvement – post project reviews by our audit divisions
- security of portable information technology and in relation to social media
- key accounting and auditing standards update.

All the presentations are made available on our intranet immediately following each session.

Leadership and Management Program

In line with our Strategic Plan theme of '[Building Capacity](#)' and as a direct result of our [Workforce Development Plan](#), this year we introduced the OAG Leadership and Management Program for all Managers and Corporate Executive. The entire Program is staged over a two year period with each group of managers taking approximately nine months to complete and deliver their learning outcomes. This investment aims to provide advanced leadership and management skills for all our leaders, effectively resulting in a united approach to, and common language of management at the OAG.

Online training

The Office continues to use online programs for Record Awareness and TRIM training. This year, for the first time, we also used an online program to deliver Occupational Safety and Health training (refer to [page 99](#) for further information).

We are further utilising online technology for a variety of professional training and information sessions, particularly free webinars.

The Seven Habits of Highly Effective People

As part of our 2012 graduate induction program our graduates plus four additional employees completed a course based on a book by Stephen Covey titled '[The Seven Habits of Highly Effective People](#)'. The aim of this course is for the participants to increase their personal

Managing Our Office

and interpersonal effectiveness by teaching them the specific techniques to apply each of the seven habits.

We received overwhelmingly positive feedback about this course and we subsequently booked this course for more of our employees in 2013.

CPA Recognised Employer Program

In June 2011, in a Western Australian first, the Office of the Auditor General was acknowledged by [CPA Australia](#) for our commitment to Professional Development and training by naming the Office as a 'CPA Recognised Employer' under their Recognised Employer Program. Since receiving this recognition, our employees have received a number of benefits, most notably automatic continuing professional development recognition for CPA auditors.

Office Consultative Committee

The Office operates an Office Consultative Committee that meets to discuss issues affecting employees. The committee provides the executive with comments on staff-related policies and procedures, and provides an important avenue for internal communication.

Equity and diversity

The Office values diversity and fosters an environment that is inclusive and free from bias. The Office employs a diverse workforce with over 18 per cent of staff from culturally and linguistically diverse and non-English speaking backgrounds.

In 2011-12 we continued to engage the services of a speech therapist and again made available to employees the online subscription of [Macquarie Dictionary](#), which includes an English pronunciation tool.

Workplace behaviour and Equal Employment Opportunity (EEO) training is provided to graduates and new employees as part of their induction program.

We had six female employees enrolled in prestigious leadership programs in 2011-12. These were the [Australian and New Zealand School of Government Executive Leadership Program](#); the [WA Public Sector Pathway to Leadership and Foundations of Leadership Programs](#); and the [Public Sector Management Program](#).

Table 14 shows the representation of each diversity group as a percentage of our workforce at 30 June 2012.

Equity and Diversity	2009 %	2010 %	2011 %	2012 %
Women	59	58.5	58.9	58
Indigenous Australians	0.8	0	0	0
People from culturally diverse backgrounds	53	40.6	36.4	25
People with disabilities	4.1	3.3	3.1	2.9
Youth	11.3	13	9.8	11.7

Table 14

Risk and business continuity

In order to consolidate our approach to risk management, this year we merged our Risk Management Committee with our Audit Committee to form the Audit and Risk Management Committee. This is a sub-committee of Corporate Executive and its objectives are to:

1. assist the Deputy Auditor General in carrying out his responsibilities with regard to internal and external audit and risk management
2. provide a formal forum for communication between the Deputy Auditor General, internal audit, external audit and senior management
3. improve the effectiveness of internal audit, external audit and risk management.

The Committee:

- maintains our risk register and potential conflicts of interest register
- considers conflicts of interest (and maintains a conflicts of interest register)
- manages risk.

We have a Risk Management Practice Framework which outlines the policies and processes in regards management of risk. This also includes a potential conflicts of interest register and a conflicts of interest register. Preventative measures are in place for key risk categories and a Business Continuity Plan exists for our Office.

To consolidate our approach to risk management, this year we merged our risk management committee with our internal audit committee to form the Audit and Risk Management Committee.

Managing Our Office

We have in place a framework that establishes and maintains quality over the work performed by our Office.

The Committee reports regularly to Corporate Executive, including identified risks and the status of treatment action plans put in place to address these risks. Risk management is included in the induction process of all new staff and reinforced to all staff through our Office Forums and Professional Development program.

Quality Framework and Quality Assurance Plan

Quality is fundamentally important to everything we do at the Office of the Auditor General. We have in place a framework that establishes and maintains quality over the work performed by our Office. This framework is instilled throughout our workforce, sending a strong message that audit quality is more than (and certainly not less than) meeting professional standards.

This year we further enhanced our Quality Assurance Plan to ensure we focus our resources and efforts on the areas that will have the most significant impact. This Plan includes actions such as internal and external reviews of our audit engagement files, review of our audit methodologies to ensure they are compliant with current auditing standards and reviews of our independence and audit policies and their implementation.

Our Standards and Quality Division (SQD) is responsible for the facilitation of the Plan and for regular reporting of its progress to Corporate Executive.

Role of the Quality Assurance Plan

There are four broad areas where the Quality Assurance Plan plays a vital role at the OAG. These are internal control, risk management, corporate governance and compliance monitoring.

Internal Control – quality assurance is primarily directed at improving internal control. Internal control is broadly defined as a process, affected by Corporate Executive, management and other employees, designed to provide reasonable assurance regarding the achievement of objectives in the following internal control categories: effectiveness and efficiency of operations, reliability of financial reporting, deterring and investigating fraud, safeguarding of assets, and compliance with laws and regulations.

Risk Management – our strategic quality assurance plan is mapped to the risks identified through our risk management processes and also identifies the three year quality assurance plan coverage of material risks.

Corporate Governance – quality assurance activity, as it relates to corporate governance is generally informal, accomplished primarily through participation in meetings and discussions with members of the Corporate Executive. Corporate governance is a combination of processes and organisational structures implemented by the Corporate Executive to inform, direct, manage, and monitor the OAG resources, strategies and policies towards the achievement of the organisations objectives.

Compliance Monitoring – The purpose of monitoring compliance with quality control policies and procedures is to provide an evaluation of: adherence to professional standards and applicable legal and regulatory requirements, whether the system of quality control has been appropriately designed and effectively implemented, and whether the OAG's quality control policies and procedures have been appropriately applied, so that audit reports that are issued by the OAG are appropriate in the circumstances.

Some specific examples of quality assurance activities commenced by SQD in 2011-12 include:

- *Contract Audit Firm Quality Review* – to ensure the quality of Contract Audit Firms who perform financial audit work for OAG
- *Engagement Quality Control Review (EQCR)* – to evaluate and report on the implementation of the EQCR process for the audit divisions
- *External Peer Review Program* – To determine whether OAG has established and maintained a system of quality control, including in the areas of corporate governance, financial audit, performance audit, compliance audit and Information Systems audit.

Continuous improvement

We have a Continuous Improvement (CI) policy in place that aims to incorporate improvement into our business processes through the cycle of planning, execution and review. We seek to incorporate CI into the way we do things, rather than as an afterthought or an additional task. As such, CI is as much a cultural issue as it is a practical management issue.

The policy is based on the following principles:

- a commitment by all employees to continuous improvement of processes, products and services
- input and involvement of all employees in identifying and implementing quality improvements
- systematic use of qualitative and quantitative feedback as the basis for identifying and prioritising improvement opportunities.

This year, as part of our continuous improvement process a number of employees delivered presentations at our monthly Professional Development sessions on specific projects, the successes and the lessons learned. Importantly they also outlined the actions taken to incorporate any opportunities for our business process to ensure continuous improvement.

Grievance resolution

The Office of the Auditor General is committed to providing an inclusive work environment for all employees that is free of discrimination and bias. We currently have six employees across the various work areas of our Office trained in grievance resolution in the workplace. In 2011-12, no grievance or breach claims were received.

Office relocation

As part of the Government's [Office Accommodation Master Plan](#), the Office relocated in December 2011 from Dumas House in West Perth to [Albert Facey House](#) in the city centre.

We worked closely with the [Building Management and Works](#) division of the [Department of Finance](#) on all aspects of the project, including considerations for Information and Communication Technology requirements, floor plan layouts, furniture, security arrangements and access to shared facilities. Other factors included records management and storage requirements, parking limitations, logistics around the actual move, communication with employees, and risk and business continuity planning.

This project was a major undertaking that involved extensive planning, negotiation and coordination. Six months in, and while there have been and continues to be a number of issues that need addressing, we are fully relocated and feedback from our employees has been resoundingly positive – with 73 per cent of employees

responding to our 2012 employees survey (refer to [page 40](#)) stating that their physical work environment was conducive to them performing their job effectively, compared to 67 per cent in 2010 when we were at Dumas House.

Please refer to the case study on [page 51](#) for more information on how we managed the Office relocation.

Innovation team

[Corporate Executive](#) recognises the huge potential across the Office for innovative ideas and practice that could improve the efficiency and effectiveness of the work we do – in direct support of this, one of our Strategic Plan themes is '[Taking opportunities for improvement](#)'.

To promote a culture of innovation and to foster innovative ideas across the Office we have established an 'Innovation Team'. This Team is working to ensure potential ideas and initiatives arising throughout the Office are recognised and explored.

The Auditor General is a member of the Innovation Team, demonstrating firm commitment from the Corporate Executive for innovation at the OAG.

An Innovation Month was held during April, which included:

- innovation themed lunchbox sessions with interesting video clips and discussion
- posters and other promotional collateral throughout the Office and on the intranet encouraging ideas

Managing Our Office

We have an active social club which organises various events and fundraising activities that promote networking and socialising opportunities for all employees.

- daily innovation 'thought prompters' on the front page of our intranet
- innovation sticky notes were distributed throughout the Office and employees were encouraged to write their ideas on the post it notes and stick them to the lunchroom fridges
- the introduction of an online innovation wiki, where employees can post an idea and others can then build on that idea and provide suggestions and feedback to help strengthen and progress the idea.
- chocolate lover's morning tea
- first sundowner at Albert Facey House
- end of financial year lunch at The Western Australian Club.

A total of 72 ideas have been submitted to the Innovation Team for consideration since April 2011. The Team has assessed these ideas using an innovation assessment matrix and is currently progressing a number of these ideas in consultation with Corporate Executive.

Social club

We have an active social club which organises various events and fundraising activities that promote networking and socialising opportunities for all employees. Activities organised by the Social Club in 2011-12 included:

- a spring breakfast at The George
- Melbourne Cup Lunch at Rigby's
- sundowner at The Brown Fox
- a Christmas lunch cruise to Water's Edge Winery
- Hasta La Vista Dumas sundowner to farewell Dumas House

Wellness Committee

The Wellness Committee was formed to further promote the health and wellbeing of our employees. Events and initiatives organised by the Committee are aimed to develop a wellness culture within the Office to foster a positive, uplifting workplace that encourages and supports a healthy work-life balance.

This year we:

- organised a group visit to donate blood to the [Australian Red Cross Blood Service](#)
- provided group and one-on-one ergonomics sessions for employees
- continued our annual flu vaccination program
- participated in 'Movember', raising money for men's health issues of prostate cancer and depression
- hosted a fundraiser morning tea as part of the [Cancer Council's Australia's Biggest Morning Tea](#) campaign
- promoted [National Walk to Work Day](#) encouraging employees to include regular walking in their daily routine.

This year we have also revamped our Wellness intranet page to now include a variety of health and wellness tips, recipes, advice and links.

Green team

The Office has a 'Green Team' program to increase awareness of sustainable development issues and to assist employees in making choices that respect the environment. This program also reinforces the Office's efforts to economise on the use of resources and to minimise waste. An everyday example of this was our recent decision to set all our printers to default printing of two sided in black and white, forcing employees to make the decision to print one sided and in colour. Our current Energy Management Plan contains initiatives and targets aimed at reducing our energy use and the associated greenhouse gases.

Parliamentary Liaison Program

Providing relevant and timely information to [Parliament](#) is one of the Office's core functions. A calendar of planned regular contacts, including meetings, hearings, briefings and presentations is in place and we continue to liaise with parliamentarians, including the parliamentary committees, on our forward audit program and the tabling of our reports. During the year we conducted a client survey with Members of Parliament and further information can be found on [page 25](#).

Communications

The work of the Auditor General attracts wide interest from Parliament, government agencies, the media and the community.

We have a Communications Strategy in place that is reviewed annually to determine our communication challenges, gaps, requirements and solutions. The agreed communication activity, goals and key messaging are set against a number of milestones and measures that are regularly reported to Corporate Executive.

Plain English training

Our Office actively promotes plain English writing to all our employees. We include plain English training in our graduate induction program and we encourage employees to attend plain English courses where required. This year we provided a two day plain English workshop for 26 of our employees. The [Plain English Foundation](#) ran the workshop titled 'Writing to Account' in a meeting room at our offices. This workshop is designed to build on existing writing skills to help employees make their documents precise, clear, readable, efficient, accountable and credible.

Delivery of audit reports

In an effort to deliver our [audit reports](#) in a more environmentally and cost efficient manner, while still maintaining accessibility, we have begun to reduce the number of printed copies of our reports and have enhanced the electronic delivery of our reports.

Since January 2012, we have been gradually reducing the number of printed reports from around 250 copies to 80 copies. We have reviewed our distribution lists and found that the majority of recipients actually preferred to receive electronic copies of our reports. In order to make our electronic report more accessible we now include bookmarks, hyperlinks and contents navigation in all our reports.

While we have not yet formally assessed the efficiency and cost savings of the new report distribution format, we estimate that we save around 24 hours of printing time and we saved approximately \$24 000 in printing costs over our last 10 reports (report sizes and colour requirements can vary quite dramatically for different reports, so cost savings are a good estimate only).

Office Forums

We continue to conduct Office Forums four times a year for all employees. These forums are used as a whole of Office gathering where important updates affecting the organisation are discussed before concluding with a morning tea. These forums are supplemented by our monthly [Professional Development sessions](#), where important employee information is shared with all employees outside the scheduled Office Forums.

Website and intranet

We continue to utilise our [website](#) as one of our primary external communication tools. Through the website we currently deliver our audit reports in an easily accessible pdf format and provide our clients and interested readers with the clear and concise information they need in relation to our Office. Our aim for the website in 2012-13 is to further enhance its accessibility rating to ensure it is at least compliant with the [Web Content Accessibility Guideline \(WCAG\) Version 2.0 Level A](#) by 31 December 2013. We are also currently implementing new electronic forms to make it easier for people to submit referrals, feedback, complaints, audit topic suggestions and Public Interest Disclosures via our website.

Work has commenced on revamping our intranet to bring it in line with the latest technology available and to further realise its potential as an important communication, collaboration and recordkeeping tool. We have established 'intranet champions' in each of our divisions and are currently working with them to determine the business requirements for our intranet. We are also finalising an update of our electronic records system TRIM, which will allow us to integrate our records system with our intranet, further streamlining and enhancing the efficiency of these systems.

Managing Our Office

Our online 'suggestion box' where employees can ask questions or make suggestions has once again proved popular.

Our online 'suggestion box' where employees can ask questions or make suggestions on issues relating to the Office, has once again proved popular, with 45 comprehensive suggestions received since it was established in July 2010, 25 of these were submitted in 2011-12. These submissions can be made anonymously and a response is coordinated and posted by the [Assistant Auditor General, Strategy Policy and Corporate Services](#) shortly after the submission is received. The submissions received have included a variety of issues including technical audit questions, productivity ideas and general Office accommodation issues.

Other intranet initiatives introduced in 2011-12 include:

- **Innovation wiki** – (refer to [page 47](#) for further information)
- **iWiki** – an online tool where employees can share tips, tricks, comments, frustrations and new app discoveries in relation to iPads, iPhones and any other information technology subjects
- Comprehensive **Wellness page** – including health and wellness tips, recipes, advice and links
- **Enhanced news updates page** – providing daily media updates in relation to the Office and other audit news
- **Graduate induction collaboration page** – providing a central coordination and access point for our comprehensive three week graduate induction program.

We also utilised an interactive 'Office relocation page' on our intranet for the duration of our relocation project. In December 2011 we relocated from West Perth to the city centre and this intranet page acted as one of our primary communication tools. Updates were regularly posted on the page and items such as pictures and floor plans were updated as they were received by the internal project team. Employees posted ideas and questions on the 'your comments' wall on the page. This proved to be an effective communication tool, allowing employees to easily access up-to-date information relating to the relocation.

The Auditor General continues to issue a regular blog via the Office intranet, which is received by all employees. This is a popular and effective internal communication tool that is used by the Auditor General to update employees on Office achievements and issues arising throughout the year.

External presentations

2011-12 saw a significant number of external speaking engagements for our Office. The Auditor General alone delivered 11 external presentations in the six months from 29 September 2011 to 30 March 2012. This is additional to external briefings with stakeholders, media conferences associated with the tabling of audit reports and other board and representative meetings. The presentations delivered by the Auditor General, and by the Corporate Executive and Senior Officers, vary in

purpose, including communication about the role and mandate of the Auditor General to presentations on specific findings of our audit reports.

Information management

With our Office relocation in late 2011, our Information Management Branch invested significant effort this year on electronic storage of records to reduce the amount of paper used and to reduce the storage requirements in the new location. Many of our paper records were scanned prior to our move and stored electronically (in line with our recordkeeping requirements). This project provided the opportunity to further rationalise our onsite document and library holdings.

This year also saw the successful upgrade of our Electronic Document Records Management System and Practice Management Systems. We implemented new smart Optical Character Recognition technology to support and enhance business processes and have prepared for the rollout in mid 2012-13 of the updated version of our recordkeeping system, TRIM.

In an effort to further improve the usage of TRIM and to increase awareness of recordkeeping requirements, our Information Management Branch has begun delivering regular 'tips and tricks' sessions at our monthly PD days. These sessions have quickly become a popular addition to our regular PD program.

Information technology

As with our Information Management Branch, the major focus for our Information Resources Branch (IRB) this year has been the planning, negotiation and coordination of information technology and communication requirements, including our phone system and smartboard technology, for our relocation to Albert Facey House. This has been a huge undertaking and a vital part of our relocation process.

In 2011-12 IRB replaced our laptops with newer models in an Office-wide asset replacement program, ensuring we have up-to-date technology. This coincided with the introduction of new Ironkeys, which are secure USB devices that will further ensure the security of our information and networks.

Much work has also been completed in preparation for an upgrade to our intranet and website platforms, which is due to be completed in early 2012-13. As part of this work our Records Branch has prepared an update to our recordkeeping system TRIM, to ensure the new intranet platform successfully integrates with TRIM in an effort to maximise the potential efficiency of these systems.

In order to better assist the Office with our technological requirements and to establish stronger communication channels, IRB has begun delivering regular 'tips and tricks' sessions at our monthly PD days. As with the record keeping sessions, these sessions have quickly become a popular feature of our PD program. We also have established a wiki page on our intranet for employees

to share information, tips and tricks in relation to their iPads, which have gradually been introduced to key areas of our Office in order to utilise latest technological advancements to increase efficiency in our business operations.

Information and Communication Technology Committee

We have an active Information and Communication Technology (ICT) Committee which meets to identify any ICT issues, opportunities and risks across the Office. The Committee makes recommendations to Corporate Executive on the appropriate action, in line with relevant Office policies and industry better practice standards. This Committee is made up of representatives across the different work areas of the Office to ensure a strategic approach to ICT, with consideration of operational needs. In the next 12 months we will undertake a review of the structure and governance of this Committee to ensure it is effectively meeting the business requirements of our Office.

Our Office Relocation

Initial discussions commenced in 2010 with the then [Department of Housing and Works](#) to relocate our Office from [Dumas House](#) in West Perth to [Albert Facey House](#) (AFH) in the city centre. While we had been at Dumas House for 20 years and the location in West Perth was well suited to our business needs, we understood the need for us to relocate as part of the wider **Government Office Accommodation Master Plan**.

The first priority was to confirm the office layout and agree to a fit out that met our operational needs while conforming with the open plan approach to office accommodation. Many revisions, meetings and draft plans later, we agreed a layout which we believed would deliver the best outcome and provide a conducive work place for our employees.

Communication and change management

We placed a significant effort on communications throughout the project. Starting with a project team that included representatives from each division within the Office, so employees were kept informed at all stages of the project.

We created a dedicated intranet page where photos, plans and all updates were posted

as well as a regular newsletter distributed to all employees. Further information was communicated via

employee meetings and Office Forums, including presentations from architects on the vision for AFH and presentations from service providers on safety and occupational hazards associated with moving and lifting heavy boxes.

For one division we even included – just for fun – an Amazing Race activity in the City to familiarise employees with new surroundings and transport arrangements.

Furniture donations

Moving into a fully furnished fit out required some careful thought in regards to our existing furniture.

Although a major task, we were able to work with a number of other government agencies, charity groups and schools, to ensure our furniture was donated and given to others for their use. We were determined not to see anything go to waste, but instead to see others continue to use this furniture.



Boxes, boxes, boxes!

Two months before the move date, the boxes arrived. Five hundred and sixteen green boxes dotted throughout the office made the move a reality, and our employees all pitched in to start packing and labelling the boxes in preparation for move day.

This also provided us with the chance to 'clean up' our paper records and the catch phrase was; 'TRIM It, Bin It or Box It'. Our Information Records team worked closely with all employees to ensure papers were electronically registered and archived to reduce the amount of paper and physical files, and instead have everything converted to an electronic record prior to the move.

The move

Plans were put in place for our operational employees to attend training and strategic planning meetings offsite for the last two days, while our Corporate Services staff donned jeans and sneakers and set about cleaning,

packing and labelling everything in readiness for move day.

Settling In

Day One, Monday 19 December, and all the hard work paid off. When employees arrived at AFH, they were given their access card and met by ushers to direct them to their new working area. Computers, phones, name plaques and all green boxes were in the right place.

At each desk there was a Welcome Pack introducing employees to AFH and outlining key information. Employees also received their own supply of Minties to help them through the task of unpacking and setting up their work spaces.

By 10.00am we were fully operational again, and celebrated with a morning tea, giving the Auditor General the opportunity to congratulate the Office and thank everyone for a job well done.

Financial Statements and Performance Indicators

Certification of Financial Statements	53	Note 22. Payables	79
Independent Auditor's Opinion	54	Note 23. Provisions	79
Statement of Comprehensive Income	58	Note 24. Equity	80
Statement of Financial Position	59	Note 25. Notes to the Statement of Cash Flows	80
Statement of Changes in Equity	60	Note 26. Resources provided free of charge	81
Statement of Cash Flows	61	Note 27. Commitments	81
Summary of Consolidated Account Appropriations and Income Estimates	62	Note 28. Events occurring after the end of the reporting period	82
Notes to the Financial Statements	63	Note 29. Explanatory statement	82
Note 1. Australian Accounting Standards	63	Note 30. Financial instruments	83
Note 2. Summary of significant accounting policies	63	Note 31. Remuneration of senior officers	87
Note 3. Key sources of estimation uncertainty	69	Note 32. Remuneration of auditor	87
Note 4. Disclosure of changes in accounting policy and estimates	69	Note 33. Related bodies	87
Note 5. Employee benefits expense	74	Note 34. Affiliated bodies	87
Note 6. Supplies and services	74	Note 35. Special purpose accounts	87
Note 7. Depreciation and amortisation expense	75	Note 36. Supplementary financial information	88
Note 8. Impairment losses	75	Certification of Performance Indicators	89
Note 9. Accommodation expenses	75	Performance Indicators	90
Note 10. Other expenses	75	Performance Indicators	90
Note 11. User charges and fees	75		
Note 12. Net gain/(loss) on disposal of non-current assets	75		
Note 13. Other revenue	76		
Note 14. Income from State Government	76		
Note 15. Restricted cash and cash equivalents	76		
Note 16. Receivables	76		
Note 17. Amounts receivable for services (Holding Account)	76		
Note 18. Other assets	77		
Note 19. Property, plant and equipment	77		
Note 20. Intangible assets	78		
Note 21. Impairment of assets	78		

Disclosures and Legal Requirements

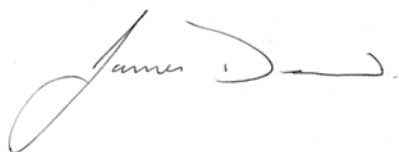
Other Disclosures	92
Other Legal Requirements	93
Statement of Compliance with <i>Disability Services Act 1993</i>	93
Statement of Compliance with <i>Electoral Act 1907</i> Section 175ZE (advertising)	94
Statement of Compliance with the <i>Public Sector Management Act 1994</i> Section 31(1)	94
Statement of Compliance with the <i>State Records Act 2000</i> , Section 61 and State Records Commission Standards, Standard 2, Principle 6	95
OPSSC Good Governance Principles	96
Government Policy Requirements	98
Occupational safety and health and injury management	98
Appendix 1: Our Strategic Progress	100
Appendix 2: How We Choose Our Performance Audit Topics	111
Appendix 3: Audit Clients	112
Appendix 4: Glossary	114
Index	115

Certification of Financial Statements

For the year ended 30 June 2012

The accompanying financial statements of the Office of the Auditor General have been prepared in compliance with the provisions of the [Financial Management Act 2006](#) from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2012 and the financial position as at 30 June 2012.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



JAMES DEW CA
CHIEF FINANCE OFFICER
6 August 2012



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
6 August 2012

Independent Auditor's Opinion

Financial Statements and Performance Indicators for the year ended 30 June 2012

Independent Auditor's Report

To the Parliament of Western Australia
Office of the Auditor General

Report on the Financial Statements

We have audited the accounts and financial statements of the Office of the Auditor General.

The financial statements comprise the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Auditor General's Responsibility for the Financial Statements

The Auditor General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Auditor General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the financial statements based on our audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Auditor General, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.



Bentleys Audit & Corporate
(WA) Pty Ltd

Level 1, 12 Kings Park Road
West Perth WA 6005
Australia

PO Box 44
West Perth WA 6872
Australia

ABN 33 121 222 802

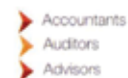
T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au



A member of Bentleys, an association of independent accounting firms in Australia.
The member firms of the Bentleys association are affiliated only and not in partnership.
Liability limited by a scheme approved under Professional Standards Legislation.



Independent Auditor's Opinion

Independent Auditor's Report To the Parliament of Western Australia Office of the Auditor General *(Continued)*



Opinion

In our opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Office of the Auditor General at 30 June 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

We have audited the controls exercised by the Office of the Auditor General during the year ended 30 June 2012.

Controls exercised by the Office of the Auditor General are those policies and procedures established by the Auditor General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Auditor General's Responsibility for Controls

The Auditor General is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the controls exercised by the Office of the Auditor General based on our audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Office complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the controls exercised by the Office of the Auditor General are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2012.

page 2 of 4

Independent Auditor's Opinion

Independent Auditor's Report To the Parliament of Western Australia Office of the Auditor General *(Continued)*



Report on the Key Performance Indicators

We have audited the key performance indicators of the Office of the Auditor General for the year ended 30 June 2012.

The key performance indicators are the key effectiveness indicators and, the key efficiency indicators that provide information on outcome achievement and service provision.

Auditor General's Responsibility for the Key Performance Indicators

The Auditor General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Auditor General determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the key performance indicators based on our audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Auditor General's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the key performance indicators of the Office of the Auditor General are relevant and appropriate to assist users to assess the Office's performance and fairly represent indicated performance for the year ended 30 June 2012.

**Independent
Auditor's Opinion****Independent Auditor's Report**
To the Parliament of Western Australia
Office of the Auditor General (Continued)**Independence**

In conducting this audit, we have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 6th day of August 2012

page 4 of 4

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 \$000	2011 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	5	13 272	11 138
Supplies and services	6	7 179	7 127
Depreciation and amortisation expense	7	386	499
Impairment losses	8	–	130
Accommodation expenses	9	1 651	1 294
Loss on disposal of non-current assets	12	10	5
Other expenses	10	58	30
Total cost of services		22 556	20 223
Income			
Revenue			
User charges and fees	11	16 006	15 216
Other revenue	13	742	80
Total revenue		16 748	15 296
Total income other than income from State Government		16 748	15 296
NET COST OF SERVICES		5 808	4 927
Income from State Government	14		
Service appropriation		5 864	4 962
Resources received free of charge		233	29
Total income from State Government		6 097	4 991
SURPLUS FOR THE PERIOD		289	64
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		289	64

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2012

	Note	2012 \$000	2011 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	25	2 079	2 577
Receivables	16	7 028	6 065
Amounts receivable for services	17	297	482
Other current assets	18	114	106
Total Current Assets		9 518	9 230
Non-Current Assets			
Restricted cash and cash equivalents	15, 25	326	266
Amounts receivable for services	17	995	857
Property, plant and equipment	19	679	519
Intangible assets	20	67	48
Total Non-Current Assets		2 067	1 690
TOTAL ASSETS		11 585	10 920
LIABILITIES			
Current Liabilities			
Payables	22	1 123	1 065
Provisions	23	2 398	1 786
Total Current Liabilities		3 521	2 851
Non-Current Liabilities			
Provisions	23	610	904
Total Non-Current Liabilities		610	904
TOTAL LIABILITIES		4 131	3 755
NET ASSETS		7 454	7 165
EQUITY			
Contributed equity	24	6 321	6 321
Accumulated surplus		1 133	844
TOTAL EQUITY		7 454	7 165

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2012

	Note	Contributed equity \$000	Accumulated surplus \$000	Total equity \$000
Balance at 1 July 2010	24	5 902	780	6 682
Surplus		–	64	64
Total comprehensive income for the period		–	64	64
Transactions with owners in their capacity as owners:				
Capital appropriations		419	–	419
Total		419	–	419
Balance at 30 June 2011		6 321	844	7 165
Balance at 1 July 2011		6 321	844	7 165
Surplus		–	289	289
Total comprehensive income for the period		–	289	289
Transactions with owners in their capacity as owners:				
Capital appropriations		–	–	–
Total		–	–	–
Balance at 30 June 2012		6 321	1 133	7 454

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 \$000	2011 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		5 429	4 537
Capital appropriations		–	419
Holding account drawdowns		482	200
Net cash provided by State Government		5 911	5 156
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(12 955)	(10 761)
Supplies and services		(7 344)	(6 942)
Accommodation		(1 442)	(1 294)
GST payments on purchases		(883)	(818)
GST payments to taxation authority		(858)	(706)
Other payments		(58)	(30)
Receipts			
User charges and fees		15 037	14 508
GST receipts on sales		1 589	1 525
GST receipts from taxation authority		397	–
Other receipts		742	80
Net cash provided by/(used in) operating activities	25	(5 775)	(4 438)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(574)	(411)
Net cash provided by/(used in) investing activities		(574)	(411)
Net increase/(decrease) in cash and cash equivalents		(438)	307
Cash and cash equivalents at the beginning of the period		2 843	2 536
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	25	2 405	2 843

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2012

	2012 Estimate \$000	2012 Actual \$000	Variance \$000	2012 Actual \$000	2011 Actual \$000	Variance \$000
DELIVERY OF SERVICES						
Item 49 Net amount appropriated to deliver services	5 235	5 235	–	5 235	4 392	843
Amount Authorised by Other Statutes						
– <i>Salaries and Allowances Act 1975</i>	629	629	–	629	570	59
Total appropriations provided to deliver services	5 864	5 864	–	5 864	4 962	902
CAPITAL						
Capital appropriations	–	–	–	–	419	(419)
GRAND TOTAL	5 864	5 864	–	5 864	5 381	483
DETAILS OF EXPENSES BY SERVICE						
Public Sector Auditing	19 807	22 556	2 749	22 556	20 223	2 333
Total Cost of Services	19 807	22 556	2 749	22 556	20 223	2 333
Less Total Income	(14 147)	(16 748)	(2 601)	(16 748)	(15 296)	(1 452)
Net Cost of Services	5 660	5 808	148	5 808	4 927	881
Adjustments	204	56	(148)	56	35	21
Total appropriations provided to deliver services	5 864	5 864	–	5 864	4 962	902
CAPITAL EXPENDITURE						
Purchase of non-current physical assets	482	574	92	574	411	163
Adjustments for other funding sources	(482)	(574)	(92)	(574)	8	(582)
Capital appropriations	–	–	–	–	419	(419)

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 29 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2012 and between the actual results for 2012 and 2011.

Notes to the Financial Statements

For the year ended 30 June 2012

Note 1. Australian Accounting Standards

General

The Office of the Auditor General's (the Office) financial statements for the year ended 30 June 2012 have been prepared in accordance with [Australian Accounting Standards](#). The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the [Australian Accounting Standards Board](#) (AASB).

The Office has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by [TI 1101 Application of Australian Accounting Standards and Other Pronouncements](#). There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2012.

Note 2. Summary of significant accounting policies

(a) General statement

The Office is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The [Financial Management Act](#) and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

Note 3 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Office of the Auditor General.

Mission

The Office's mission is to improve public sector performance and accountability by reporting independently to Parliament.

The Office is partly funded by parliamentary appropriation. It also charges for certain audit services to agencies and fees are based on full cost recovery. The financial statements encompass all funds through which the Office controls resources to carry on its functions.

Notes to the Financial Statements

Services

The Office provides the following service:

Public Sector Auditing

This comprises the external audit of the Western Australian public sector through audits of financial statements, controls and key performance indicators and audits of efficiency and effectiveness of public sector operations.

(d) Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by [TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities](#) and have been credited directly to Contributed equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Service appropriations

Service appropriations are recognised as revenues at fair value in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited into the bank account or credited to the 'Amounts receivable for services (holding account)' held at Treasury.

Net appropriation determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. In accordance with the determination specified in the [2011-2012 Budget Statements](#), the Office retained \$16.7 million in 2012 (\$15.3 million in 2011) from the following:

- Assurance audit fees
- Government vehicle scheme
- Other Office revenue

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Office obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Gains

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

Notes to the Financial Statements

(f) Property, plant and equipment

Capitalisation/expensing of assets

Items of property, plant and equipment costing \$5 000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5 000 are immediately expensed direct to the Statement of Comprehensive Income other than where they form part of a group of similar items which are significant in total.

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

- Plant and equipment – 10 years
- Office and computer equipment – 2 to 10 years

(g) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5 000 or more and internally generated intangible assets costing \$50 000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Office have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

- Software^(a) – 3 years

(a) Software that is not integral to the operation of any related hardware

Computer software

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5 000 is expensed in the year of acquisition.

Notes to the Financial Statements

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

(h) Impairment of assets

Property, plant and equipment, and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Office is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(i) Leases

The Office holds operating leases for office accommodation, certain equipment and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased items.

(j) Financial instruments

In addition to cash and cash equivalents, the Office has two categories of financial instrument:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - Cash and cash equivalents
 - Restricted cash and cash equivalents
 - Receivables
 - Amounts receivable for services
- Financial Liabilities
 - Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent remeasurement is not required as the effect of discounting is not material.

Notes to the Financial Statements

(k) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(l) Accrued salaries

Accrued salaries (see [note 22 'Payables'](#)) represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See [note 15 'Restricted cash and cash equivalents'](#)) consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

(m) Amounts receivable for services (holding account)

The Office receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

(n) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (ie. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(o) Payables

Payables are recognised at the amounts payable when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(p) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

The liability for annual leave that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Annual leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including nonsalary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements

The provision for annual leave is classified as a current liability as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

A liability for long service leave is recognised after an employee has completed two years of service based on remuneration rates current as at the end of the reporting period. An actuarial assessment of long service leave undertaken by PricewaterhouseCoopers Actuaries at 31 May 2012 determined that the liability measured using the shorthand method was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Office's experience of employee retention and leave taken.

Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Office has an unconditional right to defer settlement of the liability until the employee has completed the requisite years of service.

Deferred leave

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Purchased leave

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the nominal amounts expected to be paid when the liabilities are settled. This liability is measured on the same basis as annual leave.

Superannuation

The [Government Employees Superannuation Board](#) (GESB) and other funds administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees varies according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for Office purposes because the concurrent contributions (defined contributions) made by the Office to GESB extinguishes the Office's obligations to the related superannuation liability.

The Office has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Office to the GESB.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became noncontributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees became able to choose their

Notes to the Financial Statements

preferred superannuation fund. The Office makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the [Commonwealth Government's Superannuation Guarantee \(Administration\) Act 1992](#). Contributions to these accumulation schemes extinguish the Office's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

Provisions – other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Office's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

(q) Superannuation expense

The superannuation expense in the Statement of Comprehensive Income comprises of employer contributions paid to the GSS (concurrent contributions), the WSS, and the GESBS, or other superannuation fund. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

(r) Resources received free of charge or for nominal cost

Resources received free of charge or for nominal cost are recognised as income at fair value where the fair value can be reliably measured and the resources would have been purchased if not donated. Where the resource received represents a service that the Office would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(s) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Note 3. Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions used in calculating the Office's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Note 4. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2011 that impacted on the Office.

AASB 1054

Australian Additional Disclosures

This Standard, in conjunction with [AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project](#), removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

Notes to the Financial Statements

Initial application of an Australian Accounting Standard (cont)

AASB 2009-12 *Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Int 2, 4, 16, 1039 & 1052]*

This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Int 13]*

The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is no longer required to be disclosed. There is no financial impact.

The amendments to AASB 101 clarify the presentation of the statement of changes in equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity can now be presented either in the statement of changes in equity or in the notes. There is no financial impact.

AASB 2010-5 *Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Int 112, 115, 127, 132 & 1042]*

This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7]*

This Standard introduces additional disclosure relating to transfers of financial assets in AASB 7. An entity shall disclose all transferred financial assets that are not derecognised and any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.

AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Int 2, 112 & 113]*

This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

AASB 2011-5 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, 128 & 131]*

This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit non-reporting entities that comply with Australian Accounting Standards. There is no financial impact.

Notes to the Financial Statements

Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by [TI 1101 Application of Australian Accounting Standards and Other Pronouncements](#). Consequently, the Office has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Office. Where applicable, the Office plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
AASB 9	Financial Instruments	1 Jan 2013	AASB 1053	Application of Tiers of Australian Accounting Standards	1 Jul 2013
	This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments.			This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.	
	The Standard was reissued in December 2010. The Office has not yet determined the application or the potential impact of the Standard.				
AASB 13	Fair Value Measurement	1 Jan 2013	AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]	1 Jul 2013
	This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.			[Modified by AASB 2010-7]	
AASB 119	Employee Benefits	1 Jan 2013	AASB 2010-2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]	1 Jul 2013
	This Standard supersedes AASB 119 (October 2010). As the Office does not operate a defined benefit plan, the impact of the change is limited to measuring annual leave as a long-term employee benefit. The resultant discounting of the annual leave benefit has an immaterial impact.			This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.	

Notes to the Financial Statements

Future impact of Australian Accounting Standards not yet operative (cont)

		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i>	1 Jan 2013	AASB 2011-6	<i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]</i>	1 Jul 2013
	This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Office has not yet determined the application or the potential impact of the Standard.			This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.	
AASB 2011-2	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]</i>	1 Jul 2013	AASB 2011-7	<i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i>	1 Jan 2013
	This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.			This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> . There is no financial impact.	

Notes to the Financial Statements

Future impact of Australian Accounting Standards not yet operative (cont)

		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
AASB 2011-8	<i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i>	1 Jan 2013	AASB 2011-11	<i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i> This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.	1 Jul 2013
	This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.		AASB 2012-1	<i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141]</i> This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.	1 Jul 2013
AASB 2011-9	<i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</i> This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There is no financial impact.	1 Jul 2012	AASB 2012-2	<i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i> This Standard amends AASB 7 <i>Financial Instruments: Disclosures</i> to require an entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. There is no financial impact.	1 Jan 2013
AASB 2011-10	<i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]</i> This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 <i>Employee Benefits</i> in September 2011. There is limited financial impact.	1 Jan 2013			

Notes to the Financial Statements

Future impact of Australian Accounting Standards not yet operative (cont)

		Operative for reporting periods beginning on/after
AASB 2012-3	<i>Amendment to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	1 Jan 2014
This Standard addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 <i>Financial Instruments: Presentation</i> . It clarifies the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’. There is no financial impact.		
AASB 2012-5	<i>Amendment to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle</i>	1 Jan 2013
This Standard amends a number of pronouncements as a result of the 2009-2011 annual improvement cycle. The Office has not yet determined the potential impact of the Standard		

	2012 \$000	2011 \$000
--	---------------	---------------

Note 5. Employee benefits expense

Wages and salaries ^(a)	12 192	10 165
Superannuation – defined contribution plans ^(b)	1 080	973
	13 272	11 138

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.

(b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).

Employment on-costs expenses, such as workers’ compensation insurance, are included at [note 10 ‘Other expenses’](#).

Employment on-costs liability is included at [note 23 ‘Provisions’](#).

Note 6. Supplies and services

Contracted audit work	4 885	5 085
Other services and contracts	586	572
Other staffing costs	347	236
Repairs and maintenance	310	367
Travel and accommodation	258	194
Administration	204	213
Consumables	186	156
Lease expenses	147	163
Communications	123	74
Advertising	7	34
Other	126	33
	7 179	7 127

Notes to the Financial Statements

	2012 \$000	2011 \$000
--	---------------	---------------

Note 7. Depreciation and amortisation expense

Depreciation

Plant and equipment	12	26
Office and computer equipment	340	231
Total depreciation	352	257

Amortisation

Intangible assets	34	242
Total amortisation	34	242
Total depreciation and amortisation	386	499

Note 8. Impairment losses

Plant and equipment	–	65
Office and computer equipment	–	65
Total impairment losses	–	130

Refer to [note 21](#) for details of the recognised impairment losses.

	2012 \$000	2011 \$000
--	---------------	---------------

Note 9. Accommodation expenses

Office lease rentals ^(a)	1 228	877
Office parking	107	131
Monthly outgoings	316	286
	1 651	1 294

(a) Refer note 27 'Commitments'

Note 10. Other expenses

Employment on-costs	24	17
Audit fee	34	13
	58	30

Note 11. User charges and fees

Audit fees	16 006	15 216
	16 006	15 216

Note 12. Net gain/(loss) on disposal of non-current assets

Proceeds from disposal of non-current assets

Plant and equipment	–	–
---------------------	---	---

Costs of disposal of non-current assets

Plant and equipment	(10)	(5)
Net gain/(loss)	(10)	(5)

Notes to the Financial Statements

	2012 \$000	2011 \$000
Note 13. Other revenue		
Contributions for the use of motor vehicle	22	25
Miscellaneous ^(a)	720	55
	742	80

(a) For 2011-12 this mainly relates to salary recoups for staff on secondment at other agencies.

Note 14. Income from State Government

Appropriation received during the period:

Service appropriation ^(a)	5 864	4 962
	5 864	4 962

Resources received free of charge: ^(b)

Determined on the basis of the following estimates provided by agencies:

State Solicitor's Office	24	29
Department of Finance	209	–
	233	29
	6 097	4 991

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(b) Assets or services received free of charge or for nominal cost are recognised as revenue at the fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.

	2012 \$000	2011 \$000
Note 15. Restricted cash and cash equivalents		
Non-current		
Accrued salaries suspense account ^(a)	326	266
	326	266

(a) Funds held in the suspense account used only for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

Note 16. Receivables

Current

Accrued revenue	6 738	5 769
GST receivable	–	245
Receivable	290	51
Total current	7 028	6 065

Note 17. Amounts receivable for services (Holding Account)

Current	297	482
Non-current	995	857
	1 292	1 339

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Notes to the Financial Statements

	2012 \$000	2011 \$000
--	---------------	---------------

Note 18. Other assets

Current

Prepayments	114	106
Total current	114	106

Note 19. Property, plant and equipment

Plant and equipment

At cost	–	301
Accumulated depreciation	–	(221)
Accumulated impairment losses	–	(65)
	–	15

Office and computer equipment

At cost	1 260	1 454
Accumulated depreciation	(581)	(885)
Accumulated impairment losses	–	(65)
	679	504
	679	519

Note 19. Property, plant and equipment (cont)

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below.

	Plant and Equipment \$000	Office and Computer Equipment \$000	Total \$000
2012			
Carrying amount at start of period	15	504	519
Additions	–	522	522
Other disposals	(3)	(7)	(10)
Depreciation	(12)	(340)	(352)
Carrying amount at end of period	–	679	679
2011			
Carrying amount at start of period	105	415	520
Corrections	1	4	5
Additions	–	386	386
Disposals	–	(5)	(5)
Depreciation	(26)	(231)	(257)
Impairment losses	(65)	(65)	(130)
Carrying amount at end of period	15	504	519

Notes to the Financial Statements

Note 20. Intangible assets

Computer software

	2012 \$000	2011 \$000
At cost	737	752
Accumulated amortisation	(670)	(704)
Total intangible assets	67	48

Reconciliations:

Computer software

Carrying amount at start of period	48	270
Additions	53	20
Amortisation expense	(34)	(242)
Carrying amount at end of period	67	48

Note 21. Impairment of assets

2012

There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2012.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

2011

In the prior year, the Office was aware of negotiations to relocate from Dumas House to Albert Facey House. The relocation date was then estimated to be December 2011. At the time, the Office assessed that six items of furniture and fittings would have no future economic benefit once it relocated to new premises. Accordingly, an impairment loss of \$65 000 was recognised in the Statement of Comprehensive Income. The remaining useful lives of those assets were changed so as to depreciate them evenly until December 2011 at which point the written down value was zero. Refer [note 19](#) for further information.

The Office purchased 160 new laptop computers in June 2011. The existing laptop computers were not disposed of prior to the end of the reporting period and their estimated useful life at the time was approximately one year. Accordingly, those assets were considered as being impaired at 30 June 2011. An impairment loss of \$65 000 was recognised in the Statement of Comprehensive Income. This impairment loss was the amount recognised to write down the carrying value to the estimated realisable value. The assets were exchanged for software with a private company in July 2011. Refer [note 19](#) for further information.

Notes to the Financial Statements

	2012 \$000	2011 \$000
--	---------------	---------------

Note 22. Payables

Current

Accrued expenses	650	636
Accrued salaries	306	310
Paid parental leave	2	–
Work in progress contractor audit work	165	119
Total current	1 123	1 065

Note 23. Provisions

Current

Employee benefits provision

Annual leave ^(a)	1 025	938
Long service leave ^(b)	1 226	747
Purchased leave ^(c)	21	27
Deferred salary scheme ^(d)	116	66
	2 388	1 778

Other provisions

Employment on-costs ^(e)	10	8
	10	8
	2 398	1 786

Non-current

Employee benefits provision

Long service leave ^(b)	608	899
	608	899

Other provisions

Employment on-costs ^(e)	2	5
	2	5
	610	904

	2012 \$000	2011 \$000
--	---------------	---------------

- (a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	935	938
More than 12 months after the end of the reporting period	90	–
	1 025	938

- (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	367	517
More than 12 months after the end of the reporting period	1 467	1 129
	1 834	1 646

- (c) Purchased leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	21	27
More than 12 months after the end of the reporting period	–	–
	21	27

Notes to the Financial Statements

	2012 \$000	2011 \$000
(d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	90	–
More than 12 months after the end of the reporting period	26	66
	116	66

The amount for the deferred salary scheme provision for 2011 of \$66 000 has been reclassified from non-current liabilities to current liabilities to reflect the fact that there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

- (e) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in [note 10 'Other expenses'](#).

Movements in other provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

Employment on-cost provision

Carrying amount at start of period	13	261
Reversal of provisions recognised	(1)	(248)
Carrying amount at end of period	12	13

	2012 \$000	2011 \$000
--	---------------	---------------

Note 24. Equity

The Government holds the equity interest in the Office on behalf of the community. Equity represents the residual interest in the net assets of the Office.

Contributed equity

Balance at start of period	6 321	5 902
----------------------------	-------	-------

Contributions by owners

Capital appropriation	–	419
-----------------------	---	-----

Total contributions by owners

	–	419
--	---	-----

Balance at end of period

6 321	6 321
--------------	--------------

Accumulated surplus

Balance at start of period	844	780
----------------------------	-----	-----

Result for the period	289	64
-----------------------	-----	----

Balance at end of period	1 133	844
---------------------------------	--------------	------------

Total Equity at end of period

7 454	7 165
--------------	--------------

Note 25. Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	2 079	2 577
Restricted cash and cash equivalents		
(note 15 'Restricted cash and cash equivalents')	326	266
	2 405	2 843

Notes to the Financial Statements

	2012 \$000	2011 \$000
--	---------------	---------------

Note 25. Notes to the Statement of Cash Flows (cont)

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services	(5 808)	(4 927)
----------------------	---------	---------

Non cash items:

Depreciation and amortisation expense (note 7 'Depreciation and amortisation expense')	386	499
Impairment expense (note 8 'Impairment losses')	–	130
Resources received free of charge (note 14 'Income from State Government')	233	29
Net (gain)/loss on disposal of property, plant and equipment (note 12 'Net gain/(loss) on disposal of non-current assets')	10	5

(Increase)/decrease in assets:

Current receivables ^(a)	(1 217)	(692)
------------------------------------	---------	-------

Increase/(decrease) in liabilities

Current payables ^(a)	58	355
Current provisions	612	35
Non-current provisions	(294)	184
Net GST receipts/(payments) ^(b)	–	–
Change in GST in receivables/payables ^(c)	245	(56)

Net cash provided by/(used in) operating activities	(5 775)	(4 438)
--	----------------	----------------

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, ie cash transactions.

(c) This reverses out the GST in receivables and payables.

	2012 \$000	2011 \$000
--	---------------	---------------

Note 26. Resources provided free of charge

During the year audit services were provided by the Office free of charge to the following departments, statutory authorities and request audits:

Dwellingup Cemetery	–	3
South Caroling Cemetery	3	–
	3	3

Note 27. Commitments

The commitments below are inclusive of GST where relevant.

Non-cancellable operating lease commitments ^(a)

Commitments for minimum lease payments are payable as follows:

Within 1 year	1 770	758
Later than 1 year and not later than 5 years	7 325	29
Later than 5 years	–	–
	9 095	787

(a) As at 30 June 2012, a Memorandum of Understanding between the Office and the Department of Finance's Building Management and Works division for leasing floor space at Albert Facey House had not been signed. However, the Office is bound by the Western Australian Government Office Accommodation Master Plan and accordingly is committed to occupy Albert Facey House and make monthly lease payments.

Other expenditure commitments

Audit services contracted through private sector audit firms at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	3 316	3 572
Later than 1 year and not later than 5 years	5 003	4 435
Later than 5 years	–	–
	8 319	8 007

Notes to the Financial Statements

Note 28. Events occurring after the end of the reporting period

There were no events occurring after the end of the reporting period that warrant disclosure.

Note 29. Explanatory statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled '[Summary of Consolidated Account Appropriations and Income Estimates](#)' are shown below: Significant variations are considered to be those greater than 10 per cent or \$250 000.

Total appropriations provided to deliver services

Significant variances between actual results for 2012 and 2011

	2012 \$000	2011 \$000	Variance \$000
Total appropriation provided to deliver services	5 864	4 962	902

The variance in the total appropriation provided to deliver services for the period was mainly due to general escalation plus additional appropriation to increase the performance audit capacity.

Service expenditure

Significant variances between estimate and actual for 2012

	2012 Estimate \$000	2012 Actual \$000	Variance \$000
Total cost of services	19 807	22 556	2 749
Total income	14 147	16 748	2 601

The variance in the total cost of services was primarily due to an increase in salary and accommodation costs in addition to an increase in contract payments. The increase in total income was due to an increase in audit fees and miscellaneous income.

Significant variances between actual results for 2012 and 2011

	2012 \$000	2011 \$000	Variance \$000
Total cost of services	22 556	20 223	2 333
Total income	16 748	15 296	1 452

The variance in the total cost of services was primarily due to an increase in salary and accommodation costs. The variance in total income was due to an increase in audit fees and miscellaneous income.

Capital contribution

Significant variances between actual results for 2012 and 2011

	2012 \$000	2011 \$000	Variance \$000
Capital contribution	–	419	(419)

No capital contribution was received in 2011-12. Capital purchases were funded through amounts receivable for services (drawdowns from holding account) in addition to internal cash balances.

Notes to the Financial Statements

Note 30. Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Office are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at [note 30\(c\) 'Financial instruments disclosures'](#) and [note 16 'Receivables'](#).

Credit risk associated with the Office's financial assets is minimal because the main receivables are the amounts receivable for services (holding account) and audit receivables. The Office does not have any significant credit risks as services are provided only to government agencies. In addition, receivable balances are monitored on an ongoing basis with the result that the Office's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk, other than in respect of government agencies.

Liquidity risk

Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due.

The Office is exposed to liquidity risk through its trading in the normal course of business.

The Office has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income or the value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks. The Office is not exposed to interest rate risk because all cash and cash equivalents are non-interest bearing and the Office has no borrowings.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2012 \$000	2011 \$000
Financial assets		
Cash and cash equivalents	2 079	2 577
Restricted cash and cash equivalents	326	266
Loans and receivables ^(a)	8 320	7 159
	10 725	10 002
Financial liabilities		
Financial liabilities measured at amortised cost	1 123	1 065
	1 123	1 065

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable)

Notes to the Financial Statements

Note 30. Financial instruments (cont)

(c) Financial instrument disclosures

Credit risk

The following table details the Office's maximum exposure to credit risk and the ageing analysis of financial assets. The Office's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Office.

The Office does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Aged analysis of financial assets

	Carrying Amount \$000	Not past due and not impaired \$000	Past due but not impaired					Impaired financial assets \$000
			Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
2012								
Cash and cash equivalents	2 079	2 079	–	–	–	–	–	–
Restricted cash and cash equivalents	326	326	–	–	–	–	–	–
Receivables ^(a)	7 028	6 781	236	–	–	11	–	–
Amounts receivable for services	1 292	1 292	–	–	–	–	–	–
	10 725	10 478	236	–	–	11	–	–
2011								
Cash and cash equivalents	2 577	2 577	–	–	–	–	–	–
Restricted cash and cash equivalents	266	266	–	–	–	–	–	–
Receivables ^(a)	5 820	5 632	177	–	11	–	–	–
Amounts receivable for services	1 339	1 339	–	–	–	–	–	–
	10 002	9 814	177	–	11	–	–	–

(a) The amount of receivables excludes the GST recoverable for the ATO (statutory receivable).

Notes to the Financial Statements

Note 30. Financial instruments (cont)

(c) Financial instrument disclosures (cont)

Liquidity risk and interest rate exposure

The following table details the Office's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Interest rate exposure					Maturity dates				
		Carrying Amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non- interest bearing \$000	Nominal Amount \$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000
2012											
Financial assets											
Cash and cash equivalents	–	2 079	–	–	2 079	2 079	2 079	–	–	–	–
Restricted cash and cash equivalents	–	326	–	–	326	326	–	–	–	326	–
Receivables ^(a)	–	7 028	–	–	7 028	7 028	7 028	–	–	–	–
Amounts receivable for services	–	1 292	–	–	1 292	1 292	–	297	–	995	–
		10 725	–	–	10 725	10 725	9 107	297	–	1 321	–
Financial liabilities											
Payables	–	1 123	–	–	1 123	1 123	1 123	–	–	–	–
		1 123	–	–	1 123	1 123	1 123	–	–	–	–

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

Notes to the Financial Statements

Note 30. Financial instruments (cont)

(c) Financial instrument disclosures (cont)

Liquidity risk and interest rate exposure

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure			Maturity dates					
			Fixed interest rate \$000	Variable interest rate \$000	Non- interest bearing \$000	Nominal Amount \$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000
2011											
Financial assets											
Cash and cash equivalents	–	2 577	–	–	2 577	2 577	2 577	–	–	–	–
Restricted cash and cash equivalents	–	266	–	–	266	266	–	–	–	266	–
Receivables ^(a)	–	5 820	–	–	5 820	5 820	5 820	–	–	–	–
Amounts receivable for services	–	1 339	–	–	1 339	1 339	–	482	–	857	–
		10 002	–	–	10 002	10 002	8 397	482	–	1 123	–
Financial liabilities											
Payables	–	1 065	–	–	1 065	1 065	1 065	–	–	–	–
		1 065	–	–	1 065	1 065	1 065	–	–	–	–

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

Interest rate sensitivity analysis

The Office has no financial assets or financial liabilities for which a change in interest rates would have an impact on the surplus for the period and equity.

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Notes to the Financial Statements

Note 31. Remuneration of senior officers

The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

	2012	2011
\$140 001 - 150 000	–	3
\$160 001 - 170 000	–	1
\$170 001 - 180 000	2	2
\$180 001 - 190 000	1	–
\$200 001 - 210 000	1	–
\$230 001 - 240 000	1	–
\$240 001 - 250 000	1	1
\$380 001 - 390 000	1	–
\$410 001 - 420 000	–	1
	\$000	\$000
Total remuneration of senior officers	1 611	1 518

The total remuneration includes the superannuation expense incurred by the Office in respect of senior officers.

The comparatives for 2011 have been restated for the change in the basis for determination of remuneration to the accrual basis.

	2012 \$000	2011 \$000
--	---------------	---------------

Note 32. Remuneration of auditor

An independent auditor is appointed by the Governor under section 38(2) of the *Auditor General Act 2006* to audit the accounts, financial statements and performance indicators of the Office with the fee being paid by this Office. Remuneration in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements and key performance indicators	37	35
	37	35

Note 33. Related bodies

The Office did not have any related bodies during the financial year.

Note 34. Affiliated bodies

The Office did not have any affiliated bodies during the financial year.

Note 35. Special purpose accounts

The Office did not have any special purpose accounts at the end of the financial year.

Notes to the Financial Statements

	2012	2011
	\$000	\$000

Note 36. Supplementary financial information

(a) Write-offs

During the financial year, nil (2011: nil) was written off the Office's asset register under the authority of:

The accountable authority	–	–
The Minister	–	–
Executive Council	–	–
	<hr/>	<hr/>
	–	–

(b) Losses through theft, defaults and other causes

Losses of public money and public and other property through theft or default

Amounts recovered	–	–
	<hr/>	<hr/>
	–	–

(c) Gifts of public property

Gift of public property provided by the Office

	–	–
	<hr/>	<hr/>
	–	–

Certification of Performance Indicators

For the year ended 30 June 2012

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of the Auditor General's performance, and fairly represent the performance of the Office for the financial year ended 30 June 2012.



COLIN MURPHY FCPA FCA
ACCOUNTABLE OFFICER

6 August 2012

Performance Indicators

Performance Indicators

The Office of the Auditor General exists to serve the public interest by providing Parliament with independent and impartial information regarding public sector accountability and performance. This Office reports directly to Parliament and ultimately the people of Western Australia.

Our desired outcome, 'an informed Parliament on public sector accountability and performance', is consistent with the government goal Financial and Economic Responsibility – *Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.*

Key Effectiveness Performance Indicators

The key effectiveness performance indicator is:

The extent that the Office of the Auditor General is effective in informing Parliament about public sector accountability and performance, measured by the number of tabled reports against targets for each of the following categories of subject matter.

- Service delivery
- Economic development
- Social and environment
- Governance

Table 15 shows our actual result for the preceding three years, and our performance against the 2011-12 target.

A crucial element of this key performance indicator is the establishment of a three year target for each category of report. As this indicator was new for 2009-10, performance against the three-year target only became apparent at the end of 2011-12. The results for 2008-09 are unrelated to the three year target but are included to illustrate the longer term trend. While the Office aims to meet its report targets, we are also concerned with the quality of our reports and will not sacrifice this requirement in order to achieve a quantitative measure.

Report Type	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2011-12 Target	Actual over 3 years	Target over 3 years
Service delivery	2	3	2	4	4	9	12
Economic development	4	2	1	1	3	4	9
Social and environment	3	1	2	2	4	5	11
Governance	8	14	10	17	8	41	22
Year Total	17	20	15	24	19	59	54

Table 15

Our [topic selection process](#) aims to provide Parliament with advice and assurance across all four categories of public sector activity. Our targets are one factor in our selection of topics. Other factors include the significance of identified issues and regards for matters referred to us by Parliament. For this reason, our category targets may not always be met in any one year. A notable variation from our targets in 2011-12 was in the governance category where we tabled nine reports above target. Of these, two arose from special investigations and three came from our new governance-based, 'Across Government Benchmarking Audits' which assess agency performance in areas of common business practice (refer to [page 31](#)).

Performance Indicators

Key Efficiency Performance Indicators

The key efficiency performance indicators measure the overall efficiency in delivering the Office's service 'Public sector auditing'.

Our key efficiency performance indicators are:

- Total audit cost per million dollars of gross government expenditure
- Attest (annual assurance) audit cost per million dollars of gross government expenditure
- Performance audit cost per million dollars of gross government expenditure.

The gross government expenditure value incorporates total public sector expenditure together with expenditure by universities, superannuation boards and other entities whose expenditure is not reported within government expenditure in the annual Budget Statements.

The audit costs used to calculate the key efficiency indicators are extracted from the Office's Financial Management Information System. The proportion of total cost assigned to attest and performance audits is based on recorded direct hours charged to audits and an activity based allocation of Office overhead. The estimated actual total public sector expenditure from the Budget Statements is used rather than actual total public sector expenditure as the actual results are not available at the time these key performance indicators are produced. The estimated actual is considered a reasonable estimate of total public sector expenditure.

Additional expenditure information to enable gross government expenditure to be calculated is sourced from annual reports of the universities (who report on a calendar year) or direct from the relevant agency.

Efficiency Indicator	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	Target 2011-12
Total audit cost per \$m of gross government expenditure	\$579	\$519	\$509	\$516	\$478
Attest (annual assurance) audit cost per \$m of gross government expenditure	\$434	\$389	\$382	\$387	\$358
Performance audit cost per \$m of gross government expenditure	\$145	\$130	\$127	\$129	\$119

Table 16

The increased audit costs per million dollars of gross government expenditure in 2011-12 arose because the Office's expenditure increased at a higher proportional rate than government expenditure. Office expenditure increased by 12 per cent during 2011-12, primarily due to higher salary and accommodation costs, as a result of our relocation to Albert Facey House. Conversely, government expenditure only increased by 10 per cent over last year's figure.

Other Disclosures

Other financial disclosures

Pricing policies

The Office's fee model invoices agencies only for financial audits, although our fees incorporate a loading to recover one-third of our compliance and controls audit work. The fees are based on the hours required to do each financial audit. Where a contractor conducts the audit on the Office's behalf, the Office's fees are based on the contractor's fees. The model also assumes:

- full recovery of identified overheads with these costs being spread over all financial audit engagements
- annual adjustment for inflation and cost pressures arising from salary increases and other expenses.

Capital works

In 2011-12 the Office relocated from Dumas House in West Perth to Albert Facey House in the city centre (refer to the case study on [page 51](#) for more information). This relocation provided the Office with the opportunity to refresh obsolete network components, and provide additional capacity and collaboration services to employees. Specific initiatives included:

- Staff productivity and collaboration – installation of 13 electronic smartboards (\$100 000)
- Network performance and resilience – Internal 10GB network upgrade (\$70 000)
- Staff productivity and efficiency – four high capacity network printers (\$60 000)
- Network storage capacity – 30GB Storage Area Network upgrade (\$42 000)
- Network operation and performance – one Cisco switch (\$37 000)
- Server processing capacity – minor blade server upgrade (\$15 000)

Employees

Employee disclosures are outlined in the 'Managing Our Office' section from [page 39 to 51](#).

Senior officers

At the date of reporting, other than normal contracts of employment of service, no senior officers, or firms of which senior officers are members, or entities in which senior officers have any substantial interests, had any interests in existing or proposed contracts with the Office and senior officers.

Other employment

Under Schedule 1, Clause 3 of the [Auditor General Act 2006](#), the Auditor General must not, except so far as authorised by law or by resolutions of both Houses of Parliament, hold certain offices, places or positions referred to in the [Constitution Acts Amendment Act 1899](#). The Schedule also prohibits the Auditor General from engaging in any paid employment outside the duties of the Office of the Auditor General. *At no time while acting as the Auditor General or since my appointment to that Office have I engaged in any paid employment outside the duties of my Office. I am also a member of the State Records Commission, as authorised by the [State Records Act 2000](#), section 58n(a)*

– **Colin Murphy.**

Other Legal Requirements

Statement of Compliance with *Disability Services Act 1993*

The Office of the Auditor General is committed to ensuring that people with disabilities have the same access to our services, information and facilities by implementing the strategies and initiatives identified in the Office's [Disability Access and Inclusion Plan \(DAIP\)](#).

This year we reviewed our DAIP and following a consultation period we adopted a new five-year plan for 2011-16.

We are committed to:

- ensuring that people with a disability, their families and carers are able to fully access our services and facilities, providing them with the same opportunities, rights and responsibilities enjoyed by all other people in the community
- consulting with people with a disability, their families and carers and where required, disability organisations to ensure that barriers to access and inclusion are addressed appropriately
- ensuring that our agents and contractors work towards the desired access and inclusion outcomes in the DAIP
- achieving the six desired outcomes of our DAIP.

Our six desired outcomes, as outlined in our DAIP, are:

1. People with disabilities have the same opportunities as other people to access the services of, and any events organised by, the Office.
2. People with disabilities have the same opportunities as other people to access the buildings and other facilities of the Office.
3. People with disabilities receive information from the Office in a format that will enable them to access the information as readily as other people are able to access it.

4. People with disabilities receive the same level and quality of service from our employees as other people.
5. People with disabilities have the same opportunities as other people to make complaints to the Office.
6. People with disabilities have the same opportunities as other people to participate in any public consultation we may carry out.

The following strategies were progressed by the Office in 2011-12:

- incorporated the objectives of the DAIP into our strategic business planning, budgeting processes, procedures and policies
- ensured that our new signage at Albert Facey House is clear and easy to read and that our Office is accessible and meet the legislative and access standards for accessibility
- continued to ensure that, when requested, specialist support is made available at meetings with the client
- provided alternative formats for reports on our website, such as large print options
- improved employee awareness of disability and access issues by promoting through induction programs and publishing the DAIP on the intranet
- continued to provide the services of a speech therapist to assist employees with their English pronunciation skills
- renewed our subscription with the online Macquarie Dictionary, which allows employees access to an English pronunciation tool.

Our 2011-12 strategies will continue throughout the next financial year.

Statement of Compliance with *Electoral Act 1907* Section 175ZE (advertising)

In accordance with section 175ZE of the *Electoral Act 1907*, this Office is required to report on expenditure incurred during the financial year in relation to advertising. Expenditure during 2011-12 related to advertising for job vacancies; the conduct of agency and parliamentary surveys; the Office's contribution to the macro benchmarking survey of the *Australasian Council of Auditors General* (ACAG); and focus group research for performance audits. The details are as follows:

	Total \$ (ex gst)
Advertising agencies	
Adcorp Marketing non-staff	525.33
Adcorp Marketing staff vacancies	6 126.48
Market research organisations	
Orima Research Pty Ltd	54 526.36
Total Expenditure	61 178.17

Statement of Compliance with the *Public Sector Management Act 1994* Section 31(1)

In the administration of the Office of the Auditor General, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and our Code of Conduct.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the above statement is correct.

The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

Number lodged:	nil
Number of breaches found, including details of multiple breaches per application:	nil
Number still under review:	nil

– **Colin Murphy**

Statement of Compliance with the *State Records Act 2000*, Section 61 and State Records Commission Standards, Standard 2, Principle 6

The Office of the Auditor General has a five-year Recordkeeping Plan that was approved by the State Records Commissioner in October 2008. The Commission stated that the amended plan *“demonstrates progress towards better practice recordkeeping and compliance with the minimum requirements of SRC Standards 2: Recordkeeping Plans and SRC Standards 6: Outsourcing”*.

The Plan will be reviewed again in two years' time and a report of the review is to be submitted to the State Records Office by 10 October 2013.

This year we again utilised a generic online training tool specifically to address the broader topic of Records Awareness Training. This self-paced innovative learning tool has also been completed by all employees. An important element of this training tool is the facility to provide reports that will identify knowledge gaps, allowing us to concentrate training in specific areas.

An updated version of TRIM (the Office's electronic documents and records management system) was introduced to the Office in 2011. We are now currently in the process of again updating our TRIM system to the latest version to allow for better integration with our intranet. The aim of this upgrade and subsequent integration is to make these systems more efficient and intuitive to use. This upgrade will be complete by December 2012.

In late 2011 we began delivering regular TRIM and Recordkeeping 'tips and tricks' sessions at our monthly whole-of-Office [Professional Development](#) (PD) days. These snapshot training sessions are proving popular with employees and are now a standard item on our PD agenda. We also have a comprehensive instruction manual available on our intranet and training in the usage of TRIM is included as part of our general employee and graduate induction processes.

Over the last year we have done a lot of work in addressing the structure of our TRIM recordkeeping system to further encourage our employees to use the system. One of our approaches was to create a three layer structure where employees can create subfolders, similar to how a local network drive is structured. By creating this familiar structure we have seen more of our employees choosing to use TRIM over the local network drives. The increasing number of subfolders created in TRIM is indicative of this trend:

	2009-10	2010-11	2011-12
Number of subfolders created in TRIM	119	302	344

Table 17

Good Governance Principles

The Office of the Auditor General is committed to good governance and adheres to the [Public Sector Commission's Good Governance Guide](#).

The Good Governance Guide outlines nine key governance principles and the following outlines the mechanisms we have in place to address these principles.

1. Government and public sector relationship

The [Auditor General Act 2006](#) clearly outlines the relationship between the Auditor General and the government and processes exist to ensure clear communication and interaction between this Office and parliamentary representatives.

Additional information:	Page
• Who we are	10
• Enabling legislation and key legislation affecting the Office's activities	11
• Members of Parliament survey	25
• Parliamentary Liaison Program	47

2. Management and oversight

Our strategic plan clearly defines our goals and key objectives. The plan is developed to articulate our operational outcomes and outlines key initiatives, accountability and responsibilities to provide direction and measures to achieve in pursuit of our goals.

Additional information:	Page
• Organisational and divisional activities chart	12
• Senior officers	13
• Organisational strategies	14
• Workforce Development Plan	39
• Our strategic progress	100

3. Organisational structure

Accountability for deliverables is the responsibility of the [Corporate Executive](#) which comprises leaders from the five key operational and governance divisions. The relationship between these business units is clearly defined, yet flexibility exists to enable the Office to respond to structural change.

Additional information:	Page
• Organisational and divisional activities chart	12
• Senior officers	13

4. Operations

Operational plans are well documented and published on our intranet to provide all staff with information relating to specific work programs and progress towards initiatives designed to achieve organisational goals. The operational plan is reported to Corporate Executive quarterly and this provides the opportunity to review and confirm our initiatives are achieving the desired outcome.

Additional information:	Page
• Organisational strategies	14
• Workforce Development Plan	39
• Quality Assurance Plan	45
• Our strategic progress	100

5. Ethics and integrity

Ethical behaviour and integrity are core values that underpin our work and high standards are required of all employees. We manage this through a structured process of staff awareness, annual declaration of compliance by all staff and ongoing accountability and ethics training. We require our employees to complete an audit engagement

Other Legal Requirements

independence checklist prior to commencing an audit and we report to Corporate Executive monthly on independence issues and considerations.

Additional information:	Page
• Our values	10
• Quality Assurance Plan	45

6. People

[Workforce planning](#) is a high priority for this Office and this includes strategies for retention and attraction as well as development of staff with the intent to build leadership capabilities to ensure personal growth of individuals and development of skills to benefit our organisation.

Additional information:	Page
• Workforce Development Plan	39
• Managing our Office	39-51

7. Finance

Our Office values accountability and efficiency and ensures financial processes are consistent with applicable accounting standards. Formal structures exist to monitor financial performance against internal budgets, WA Government budget statements and key strategic goals of the Office, including monthly reporting to Corporate Executive on all aspects of performance.

Additional information:	Page
• Organisational strategies	14
• Financial performance	18
• Financial statements	52

8. Communication

Internal policies exist to provide direction on communication processes to ensure information is disseminated efficiently and effectively. Clear guidelines are maintained in relation to external communication with Parliament and the media particularly in regards the tabling of our reports to Parliament.

Additional information:	Page
• Referrals, special investigations and public interest disclosures	23
• Members of Parliament survey	25
• Reports tabled in 2011-12	26-38
• Communication	48

9. Risk management

We have developed a [Risk Management Practice Framework](#) which outlines the policies and processes in regards management of risk. Preventative measures are in place for key risk categories and a Business Continuity Plan exists for our Office. The [Audit and Risk Management Committee](#) reports regularly to the Corporate Executive, including identified risks and their status, including a conflicts of interest register. Risk management is included in the induction process of all new staff and reinforced to all staff through our Office Forums and Professional Development program.

Additional information:	Page
• Organisational strategies	14
• Risk and business continuity	44
• Quality Assurance Plan	45

Government Policy Requirements

Occupational safety and health and injury management

The Office and our Corporate Executive is committed to providing and maintaining a safe and healthy work environment for all employees and visitors to our Office and acknowledges its responsibilities under the [Occupational Safety and Health Act 1984](#) and the [Workers' Compensation and Injury Management Act 1981](#). Policies and procedures on Occupational Safety and Health (OSH) and Injury Management are available to all employees on the intranet. In 2011-12 no injuries or fatalities were recorded.

Consultation

The Office supports a consultative environment whereby managers, employees, safety and health representatives, and other stakeholders, work together to identify and resolve any Occupational Safety and Health (OSH) issues in the workplace. Our employees are encouraged to be proactive in identifying potential hazards as well as suggesting improvements to OSH practices and procedures. All new employees receive an induction which clearly defines their obligations and responsibilities under the OSH and injury management policies.

During 2011-12, the Office:

- engaged the services of an [Employee Assistance Program](#)
- provided an annual influenza vaccination program
- made available group and one-on-one ergonomic assessments for employees
- delivered new online OSH and injury management training packages for employees, supervisors and managers.

Injury management

The Office has an established Injury Management policy which outlines the steps to be taken to assist a worker to return to work following a work related injury or illness. Its focus is on a safe and early return to meaningful work in accordance with the [Workers' Compensation and Injury Management Act 1981](#). This policy is made available to our employees on the Office intranet.

Self evaluation

We currently have an Office Consultative Committee and an Audit and Risk Management Committee through which our employees can report any concerns of a safety and health perspective.

Our commitment to OSH is comprehensively covered in the 'Welcome to the Office of the Auditor General' booklet provided to all new employees as part of their induction process and on the Office's intranet.

This year we also provided training and information sessions to all staff through a new customised online OSH and injury management training package.

Our Office maintains a general focus on safety of employees and is responsive to individual safety issues as they arise. Improvements can however be made in the following areas:

- formal evaluation of our new online OSH and injury management training, which will be completed in 2012-13
- pending results of the above evaluation, we need to ensure full integration of our new online OSH and injury management training with our general employee and graduate induction processes.

Annual performance

Table 18 details our 2011-12 key performance indicators against the following targets:

Measure	Actual Results		Results against Target	
	2009-10 ¹	2011-12 ²	Target	Comment on result
Number of fatalities	0	0		
Lost time injury and/or disease incidence rate	0	0	0 or 10% reduction	
Lost time injury and/or disease severity rate	0	0	0 or 10% reduction	
Percentage of injured workers returned to work:				
(i) within 13 weeks	n/a	n/a	Greater than or equal to 80%	
(ii) within 26 weeks	n/a	n/a		
Percentage of managers trained in occupational safety, health and injury management responsibilities	8%	60%	Greater than or equal to 80%	All employees are required to complete our new online OSH training program by December 2012

Table 18

¹ This is a three-year trend. Thus, the year is three years prior to current reporting year (ie current year is 2011-12; previous year for the trend is 2009-10).

² The reduction is calculated over a three year period.

We are aware of the importance of adequately training all staff in OSH and injury management and this was a priority for us in 2011-12. Previous reports clearly showed this as a key area to be addressed and as a result we developed and customised an online training program which is currently being undertaken by all employees.

Our online training program includes two modules; one for managers and the other for all the remaining employees. Almost 69 per cent of all our employees have so far completed the training, including 60 per cent of our managers. The remaining employees will be required to complete the training in 2012-13.

The OSH online training tool provides various reports which enable us to see specific areas where employees need further instruction or training and we are able to address these as part of our professional development program.

Our Strategic Progress

Status	Details
●	Satisfactory level obtained to date – ongoing measures in place
●	In progress
●	Relevant information not yet available to assess (due to timing of measures/projects)
●	Significant improvement or action required

OBJECTIVE 1.1: Quality relationships with Parliament as a key stakeholder, parliamentary committees, client agencies and other integrity bodies		
Strategy	Measure	
Provide relevant and timely information through advice, briefings and reports to Parliament	Parliamentary survey results and their feedback on audit reports and services	●
	Committee use of reports and briefings	●
	Number of reports delivered in line with key performance indicator target	●
	Number of committee reports that reference the work of the Office of the Auditor General (the Office)	●
	Number of Hansard referrals to the Office, Auditor General or our reports	●
	Number of parliamentary committee attendances	●
	Audit Practice Statement that is current and relevant	●
	Direct audit effort to areas of public concern or value	●
	Attendance at enquiries to provide advice and opinion	●
	Public Sector Commissioner Circulars, Treasurer's Instructions and Premiers Circulars are being issued as a result of findings within our reports	●
Liaison with clients about changes in public sector auditing and reporting	Regular meetings with clients including Audit and Risk Management committees	●
	Presentation at the Chief Financial Officer Forum about changes that affect the annual audit	●
	Results of client survey and their assessment of performance	●
Engage staff to positively influence professional standards that impact public sector reporting	Involvement in exposure draft responses	●
	Involvement in professional bodies roundtable discussions	●
	Involvement in Australian Securities and Investments Commission roundtables	●

Our Strategic Progress

OBJECTIVE 1.1: Quality relationships with Parliament as a key stakeholder, parliamentary committees, client agencies and other integrity bodies (cont)

Strategy	Measure	
Effective Communications Strategy	Strategy outcomes are clearly identified and met	●
Internet development project to ensure that the website meets contemporary standards facilitating the ease of access by stakeholders	Number of hits on our reports	●
Be a member of the Integrity Coordinating Group (ICG) where information is shared and our role and responsibility is reinforced through meetings and the annual Forum	Number of ICG Working Party meetings	●
	Number of ICG Commissioners meetings	●
	Number of attendees at the ICG Forum each year	●

OBJECTIVE 1.2: Our clients understand the role of the Office

Continue to develop our professional relationships with Parliament	Regular meetings held with parliamentary committees (Public Accounts , and Estimates and Financial Operations) to update their knowledge of the Office	●
Advance our professional relationship with public sector entities to raise awareness and usage of our products and services	Hits on the Audit Practice Statement document on our website	●
	Issue of audit plans which outline our role and responsibilities	●
Appropriately inform clients about audit plans, processes and activities	Effective and timely meetings with client agencies	●
	Audit plans tabled in Audit and Risk Management committees	●
Ensure staff have the skills and ability to effectively communicate OAG role and tasks with client agencies	Staff training on the role and responsibility of our Office	●
	Communications training for key employees	●

OBJECTIVE 1.3: Timely, relevant and quality assured reports to our clients on public sector performance and accountability

Seek feedback from our stakeholders to ensure our products and services serve the public interest	Number of complaints about the Office in the client surveys	●
	Improvement in key performance indicators in the client surveys	●
	Number of complaints in the Parliamentary Satisfaction Survey	●
	Improvement in key performance indicators in the Parliamentary Satisfaction Survey	●
	Number of complaints about the Office from the community, agencies and Parliament	●
	Numer of referrals and enquiries from stakeholders	●
	Time to respond to complaints and referrals	●

Our Strategic Progress

OBJECTIVE 1.3: Timely, relevant and quality assured reports to our clients on public sector performance and accountability (cont)

Strategy	Measure	
Aim to table reports as planned, on time	Number of financial audit reports tabled in Parliament	●
	Number of performance audit reports, information systems audit reports and compliance audit reports	●
	Meet our target dates for tabling	●
	Streamlining the flow of reports so that we do not have a rush at any particular time of the year	●
	Audit reports provided to agencies	●

OBJECTIVE 1.4: Quality relationships with Australasian Council of Auditors General (ACAG) Audit Offices

Involvement in sub committees	Number of staff on external committees that are aligned with the Office role and responsibilities	●
Participation in quality assurance reviews of other ACAG Audit Offices	Number of quality assurance reviews that are performed by our Office	●
Information sharing between audit offices to improve practice	Information sharing via regular ACAG business meetings	●
	Information sharing via regular roundups emailed to all ACAG offices	●

OBJECTIVE 1.5: Quality relationships with relevant agencies, including Treasury, to ensure that common goals are met

Liaison with central agencies and ICG member organisations to ensure that we understand common themes and areas of focus	Regular meetings and input to ensure that they understand common themes and areas of focus	●
---	--	---

OBJECTIVE 1.6: Consider partnering with relevant professional organisations

Liaison with member organisations such as ICAA and CPA , to ensure that our audit approach and understanding of current issues is current	Regular meetings and input to ensure they understand common themes and areas of focus	●
--	---	---

OBJECTIVE 1.7: Consider partnering with universities to improve public sector performance and outcomes

Liaison with universities to ensure the Office performance and outcomes is strategic and contemporary	Regular meetings and input to ensure they understand common themes and areas of focus	●
--	---	---

Our Strategic Progress

OBJECTIVE 2.1: Reports and opinions that lead to improved public sector performance and accountability and readily accessible to all

Strategy	Measure	
Enhance processes to ensure the Office is aware of emerging issues in public sector administration	Topic selection process has currency and relevancy, and is collaborative	●
Improve and grow our dialogue with clients agencies to encourage more timely and effective outcomes, assist good practice and improve administration	Client agencies report improvements and changes to administration processes to increase efficiency and effectiveness	●
	Results of the debrief meetings of recently tabled audits is used for the next audit	●
	Input from referrals and enquiries is considered when planning the next audit	●
We seek input into our topic selection process from stakeholders in line with our independence mandate	Number of meetings held with stakeholders	●
	Number of suggestions that are accepted as topics	●
Ensure that we are always abreast of the latest technology and information by providing the reports in the most appropriate format to ensure that they are accessible by all potential users	Number of hits on the audit reports on our website	●
	Number of hits on our website publications	●
	Number of requests for hard copy publications	●
Deliver an appropriate mix of timely and relevant products on topics including leveraging off our product range to provide the greatest opportunity for improvement in administration across the WA public sector	Number of reports in each criteria	●
	Number of reports that meet the reporting deadline	●

OBJECTIVE 2.2: Completion of audits of the financial statements of client agencies in accordance with auditing and professional standards

Maintain a contemporary auditing approach that efficiently delivers high quality audit work compliant with auditing, ethical and professional standards	All audit methodologies are mapped to auditing standards including:	
	1. Financial audit	●
	2. Compliance audit	●
	3. Performance audit	●
	4. Information Systems audit	●
	5. Key performance indicator audit	●
	6. Controls opinion audit	●
	and are continuously maintained for currency	

Our Strategic Progress

OBJECTIVE 2.2: Completion of audits of the financial statements of client agencies in accordance with auditing and professional standards (cont)

Strategy	Measure	
Continuous improvement of our quality assurance processes to enable audit methodologies and quality control systems to exceed standards and statutory requirements	Number of continuous improvement register recommendations implemented that are assessed for cost benefit	●
	Number of suggestion box recommendations implemented that are assessed for cost benefit	●
	Number of innovation committee recommendations implemented that are assessed for cost benefit	●
	Number of quality assurance recommendations that once accepted are not implemented within three months	●

OBJECTIVE 2.3: Services that are shaped to anticipate and respond to the needs of Parliament and other stakeholders

Actively engage with stakeholders to ensure that we are meeting their expectations	Number of topic suggestions that are received from Parliament, agencies and the community	●
	Number of complaints in the client surveys	●
	Improvement in key performance indicators in the client surveys	●
	Number of complaints in the parliamentary survey	●
	Improvement in key performance indicators in the parliamentary survey	●
	Number of referrals and enquiries from stakeholders	●
	Time to respond to referrals and enquiries	●

OBJECTIVE 2.4: Assist in the development of good governance and public sector auditing

Continue our involvement in providing input in Australia and internationally to the development of public sector auditing and governance practices	Auditor General position on the Auditing and Assurance Standards Board (AUASB)	●
	Position on AUASB and other sub committees	●

OBJECTIVE 2.5: Contribution to the Australian and international activities that support and advance public sector auditing

Maintain our targeted activities in the region	Auditor General position on the AUASB	●
	Position on AUASB and other sub committees	●

Our Strategic Progress

OBJECTIVE 2.6: The Auditor General has confidence in every audit report

Strategy	Measure	
An effective Standards and Quality Division	Standards and Quality division meet their operational plan, objectives and strategies	●
An effective Quality Assurance Plan	Activities as outlined in the Quality Assurance Plan	●
An effective Quality Framework	Quality audit reports	●
	Errors within the audit report	●

OBJECTIVE 2.7: Completion of audits keeping in mind the 'public interest' aspect

Ensure that we have communicated to staff that as well as performing the audit in accordance with auditing standards we also have another role to perform and identify public interest issues as well	Training session to be performed on this topic	●
--	--	---

OBJECTIVE 3.1: High performing people working in an environment that maximises their contribution to our strategic objectives

Ongoing leadership development to facilitate a motivated and productive workforce	Number of employees leaving the Office	●
	Leadership qualities demonstrated within the Office	●
	Leadership roles initiated by employees	●
Identify complementary productivity and performance measures which support our business direction	Efficiencies in hours are achieved	●
	The number of products issued	●
	The number of secondments in the non-peak times	●
	Results of the employee survey indicators about morale	●
	The number of billable productive hours, especially at peak times	●
Develop an appropriate mix of innovative training and development initiatives as part of a structured learning and professional development program to support employees	Employee survey results from professional development days	●
	Recognised Employer Program status	●
	Informal feedback from employees	●
	Results from the professional development review process shows that the Professional Development Program is meeting expectation and address professional development requirements	●
	Feedback from all professional development that is run by the Office	●

Our Strategic Progress

OBJECTIVE 3.2: Business innovation which is able to respond effectively to future demands and requirements

Strategy	Measure	
Investment in organisational capability that will give the Office a long-term benefit	Leadership and Management training	●
	Franklin Covey – 7 Habits of Highly Effective People, or equivalent	●
Encourage innovative approaches in our planning and business practices	Further develop innovation committee	●
	Suggestion box usage	●
	Continuous improvement register	●

OBJECTIVE 3.3: Build the capacity of the employees of the Office

A Workforce Development Plan which identifies a number of strategies in the key areas of; data management and utilisation; leadership and management; organisational structure; attraction and retention; and knowledge management	Achievement of milestones within the Workforce Development Plan	●
Employees to demonstrate their required competency and believe that they can meet their capability within their job description form and PDR process	Positive findings from quality assurance review	●
	Quality audit reports	●
	Effective and timely professional and development review process	●
An effective Professional Development Program	Professional development days survey results	●
	Professional development day informal feedback	●

OBJECTIVE 3.4: Career progression is valued and supported by the Office

A Performance Development Review Framework that supports employees in career progression	All professional and development review performed by timeframes	●
	Succession and leadership planning identifies future leaders within the Office	●

OBJECTIVE 3.5: Highly motivated people

Assessment of 'motivational fit' by employee survey	Findings from the employee survey on motivation	●
---	--	---

Our Strategic Progress

OBJECTIVE 3.6: A working environment that is recognised as a 'Workplace of Choice' where people choose to work

Strategy	Measure	
Recognised Employer Programs for CPA, Institute of Chartered Accountants Australia (ICAA) and other member organisations.	Number of recognised employer certifications	●
Attract external people to our Office	Number of quality private sector applications	●
Effective and timely Workforce Development Plan	Achievement of milestones within the Workforce and Development Plan	●

OBJECTIVE 3.7: Anticipate and respond to the evolving expectations of a workforce

Employee survey which identify employee engagement, identify matters of concern and good practice	Assessment of perceptions of alignment and assessment of feedback from satisfaction	●
--	---	---

OBJECTIVE 3.8: A robust Succession Plan that as two components including replacement planning and talent pool management

Develop and communicate a succession plan so that staff understand where the leadership team will come from	Each division has succession plans in place for talent management and replacement planning	●
--	--	---

OBJECTIVE 3.9: Service Level Agreements for each division which has divisional objectives, strategies, tasks, targets and timeframes

Service level agreement for each division	Number of service level agreements	●
---	------------------------------------	---

OBJECTIVE 3.10: Work life balance for our employees and Corporate Executive

The value that we place upon work life balance should be communicated to employees	Training session concluded	●
Hours of employees are monitored to ensure that the allocation of work is correct	Average number of sick days	●
	Number of flexi hours	●
	Average number of annual leave days	●
	Average number of hours per day	●

OBJECTIVE 3.11: Supporting a safe and healthy workplace

An active Occupational Safety and Health (OSH) function at the Office	Number of OSH issues that have been identified and addressed	●
--	--	---

Our Strategic Progress

OBJECTIVE 4.1: Efficient and effective Office operations that meet our business needs		
Strategy	Measure	
Time, effort and resources are shifted to things that matter to help us achieve our business goals	All projects are prioritised, planned, have set milestones, and debriefed.	●
A robust, transparent and sustainable audit fee setting policy that is fair and equitable and shows full cost recovery	Audit fee that is accepted by clients as reasonable	●
	Audit fees show full cost recovery	●
	This is demonstrated by open communication with the client on the audit fees	●
Keep our business operations lean and straight forward while recognising broader information risks and reporting responsibilities	Active risk management framework and reporting	●
OBJECTIVE 4.2: Respond effectively to changes in our environment		
Continually review and improve our corporate governance and risk management framework and processes	Review and update risk management plan	●
Maintain a strategic focus that recognises changes and facilitate a timely and appropriate response	Improved ACAG benchmarking results	●
Evaluate and apply contemporary business technology processes, resourcing practices and performance measurement to support the business operations	Information and Communication Technology Committee consider improving technologies for our business	●
OBJECTIVE 4.3: We actively engage our stakeholders to influence professional standards that impact on public sector effectiveness and efficiency		
Meet with stakeholders regularly to share with them the professional standards and the impact on the public sector	Number of meetings	●

Our Strategic Progress

OBJECTIVE 4.4: Sound financial management of our business which means operating at a sustainable surplus with adequate reserves facilitating operating effectiveness and independence in line with our mandate

Strategy	Measure	
Perform zero based budgeting for significant items within the financial statements	Number of balances that applied zero based budgeting	●
	Comparison of zero based budget items to actual	●
Accurate budgeting process when compared to actual	Reporting to Corporate Executive	●
	Significant numbers within the Annual financial statements are compared to budgeted numbers	●
Accurate audit fee setting process which reflects our budgeting process	Client queries on audit fees	●
ACAG Quality Assurance review – Section 1 and 2	Our ACAG peer review results show improvements across the business	●
Robust internal audit program with recommendations implemented on a timely basis	Number of recommendations	●
	Number of recommendations that are implemented on a timely basis	●
Robust external audit program with recommendations implemented on a timely basis	Number of recommendations	●
	Unqualified audit opinion	●
	Number of recommendations that are implemented on a timely basis	●

OBJECTIVE 4.5: Sound information systems to support the operational needs

Robust Information Communication Technology (ICT) Strategic framework as part of a robust capital funding plan that addresses operational and strategic initiatives	ICT Framework that guides the business into the future	●
Active Information Technology Committee	Number of meetings per year	●
	Number of recommendations	●
	Visibility in the Office	●
Reduce Office reliance upon IT systems provided by external service providers	Number of systems where we rely upon external suppliers	●
Effective business continuity systems are implemented	Number of recovery that have been accessed satisfactorily	●

Our Strategic Progress

OBJECTIVE 4.6: As a responsible corporate citizen we must do what we can to minimise harm to the planet and play our part in leading lower carbon imprint impacts and supporting the community

Strategy	Measure	
Corporate Social Responsibility Policy	Implemented Corporate Social Responsibility Policy	●
The Green Team is responsible for assisting our Office to consider the environment in decisions that we make.	Green Team initiatives implemented	●
Understand the carbon tax and the impact on the audit plan for the Office	Attendance at training sessions	●
	Include impact in all audit plans where relevant	●

How We Choose Our Performance Audit Topics

The Office conducts year-round environmental scans to identify potential topics for performance audits.

Each year we also receive many enquiries, expressions of concern and requests for special investigations from [Members of Parliament](#) and the public, primarily in relation to the actions of a public sector agency or management of public resources.

Our audits are conducted in an objective and ethical manner, with full regard to confidentiality and in accordance with our audit practice requirements. Importantly, all the information received through requests for special investigations, expressions of concern and public interest disclosures is used to assist us in identifying topics for future audits.

In keeping with the Auditor General's independence, we have systems in place to ensure that a decision to audit a matter is made with proper consideration of the relative merits of an audit. The figure below shows our topic selection framework.

Twice a year, all the potential topic ideas are collated and priority projects are identified. We use this information to establish the 12 month forward program. We meet with the

[Public Accounts Committee](#) and [Estimates and Financial Operations Committee](#) to discuss the forward program and other potential topics.

Topics for performance audits are carefully and strategically selected against a range of criteria, including risk, materiality and resourcing implications. The Office needs to provide Parliament with assurance across the broad spectrum of public sector operations and particular regard is given to requests from Parliament. The topic criteria are:

Materiality: Does the activity or program have potentially significant financial, economic, social or environmental management implications?

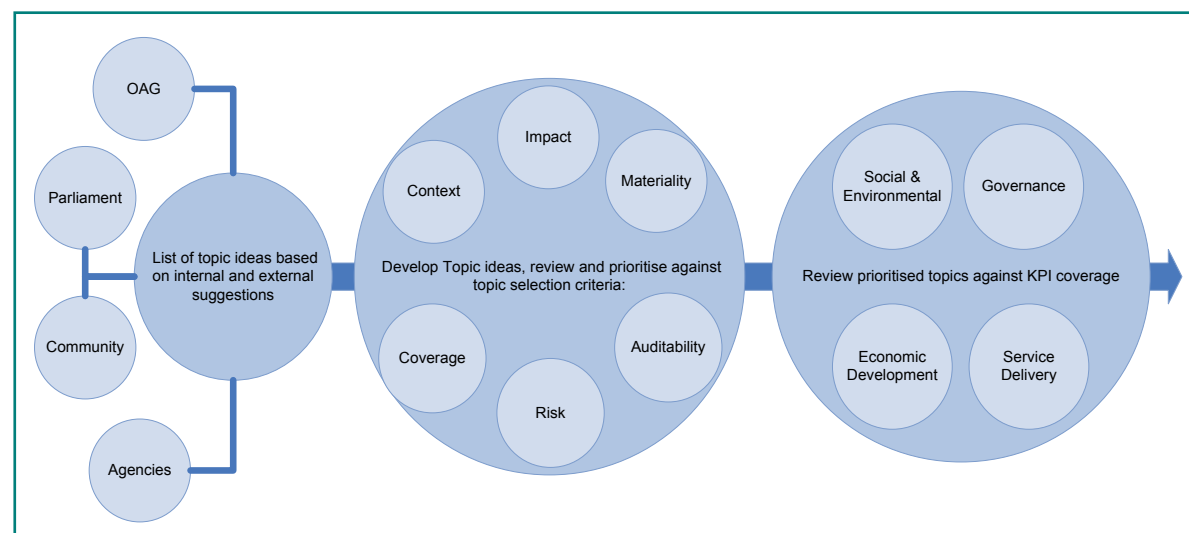
Impact: Is an audit likely to have a positive impact on the community? Could it lead to improvements across the public sector in efficiency, effectiveness or accountability? Would an audit address concerns within the Parliament?

Risk: Are there any indicators of known or suspected problems? Has the program changed significantly or undergone sudden expansion? Are issues emerging in related areas that could affect the area being considered for audit? Are there inherent risks that may not be well managed? Would any problems result in adverse consequences?

Context: Is there strong community interest in the topic? Does the program have high political sensitivity or national importance? Is it the right time to review this area? Are issues already well known? Is there another review or audit in progress covering similar issues? Would an audit of the area reinforce other important current messages or themes?

Coverage: Have we audited this area/agency recently? Does the topic help meet our objective of providing a balanced coverage of government portfolios and performance over time?

Auditability/Efficiency: Is the area amenable to audit? Will information and evidence be available? Can a past methodology be used or will the methodology be reusable? Can analytical tools be used? Can it be audited with resources that match the impact and materiality of the topic or will it take disproportionate resources for limited benefit?



Audit Clients

at 30 June 2012

Audits under *Financial Management Act 2006*

Departments

Commissioner for Equal Opportunity
Department for Child Protection
Department for Communities
Department of Agriculture and Food
Department of Commerce
Department of Corrective Services
Department of Culture and the Arts
Department of Education
Department of Education Services
Department of Environment and Conservation
Department of Finance
Department of Fisheries
Department of Health
Department of Housing
Department of Indigenous Affairs
Department of Local Government
Department of Mines and Petroleum
Department of Parliamentary Services
Department of Planning
Department of Racing, Gaming and Liquor
Department of Regional Development and Lands
Department of Sport and Recreation
Department of State Development
Department of the Attorney General
Department of the Legislative Assembly
Department of the Legislative Council

Department of the Premier and Cabinet
Department of the Registrar, Western Australian
Industrial Relations Commission
Department of Training and Workforce
Development
Department of Transport
Department of Treasury
Department of Water
Governor's Establishment
Mental Health Commission
Office of Environmental Protection Authority
Office of the Commissioner for Children and
Young People
Office of the Director of Public Prosecutions
Office of the Information Commissioner
Office of the Inspector of Custodial Services
Parliamentary Commissioner for Administrative
Investigations
Public Sector Commission
Western Australian Police Service
Western Australian Electoral Commission

Statutory authorities

Agricultural Practices Board of Western
Australia
Agricultural Produce Commission
Animal Resources Authority
Botanic Gardens and Parks Authority
Building and Construction Industry Training
Board
Bunbury Water Board
Busselton Water Board
Central Institute of Technology

Challenger Institute of Technology
Chemistry Centre (WA)
Coal Industry Superannuation Board
Commissioner of Main Roads
Construction Industry Long Service Leave
Payments Board
Corruption and Crime Commission
Country High School Hostels Authority
Country Housing Authority
Curtin University of Technology
C Y O'Connor Institute
Disability Services Commission
Durack Institute of Technology
Economic Regulation Authority
Edith Cowan University
Fire and Emergency Services Authority of
Western Australia
Fire and Emergency Services Superannuation
Board
Forest Products Commission
Gaming and Wagering Commission of Western
Australia
Gascoyne Development Commission
Gold Corporation
Goldfields-Esperance Development
Commission
Government Employees Superannuation Board
Great Southern Development Commission
Great Southern Institute of Technology
Health and Disability Services Complaints
Office
Heritage Council of Western Australia

Housing Authority
Insurance Commission of Western Australia
Keep Australia Beautiful Council (WA)
Kimberley Development Commission
Kimberley TAFE
Landcare Trust
Law Reform Commission of Western Australia
Legal Aid Commission of Western Australia
Legal Contribution Trust
Legal Costs Committee
Local Health Authorities Analytical Committee
Lotteries Commission
Metropolitan Cemeteries Board
Metropolitan Redevelopment Authority
Mid West Development Commission
Minerals and Energy Research Institute of
Western Australia
Murdoch University
Parliamentary Inspector of the Corruption and
Crime Commission
Peel Development Commission
Perth Market Authority
Perth Theatre Trust
Pilbara Development Commission
Pilbara TAFE
Polytechnic West
Potato Marketing Corporation of Western
Australia
Professional Combat Sports Commission
Professional Standards Council
Public Transport Authority of Western Australia

Audit Clients at 30 June 2012

Public Trustee
 Quadriplegic Centre Board
 Racing and Wagering Western Australia
 Racing Penalties Appeal Tribunal of Western Australia
 Rottnest Island Authority
 Rural Business Development Corporation
 School Curriculum and Standards Authority (formerly Curriculum Council)
 Screen West (Inc.)
 Small Business Development Corporation
 South West Development Commission
 South West Institute of Technology
 State Government Insurance Corporation
 State Supply Commission
 Swan Bells Foundation Inc
 Swan River Trust
 The Aboriginal Affairs Planning Authority
 The Anzac Day Trust
 The Board of the Art Gallery of Western Australia
 The Burswood Park Board
 The Coal Miners' Welfare Board of Western Australia
 The Library Board of Western Australia
 The Minister for Health in his capacity as the Deemed Board of Metropolitan Public Hospitals
 The National Trust of Australia (WA)
 The Queen Elizabeth II Medical Centre Trust
 The University of Western Australia
 The Western Australian Museum
 Trustees of the Public Education Endowment

WA Country Health Service
 West Coast Institute of Training
 Western Australian Alcohol and Drug Authority
 Western Australian Building Management Authority
 Western Australian Coastal Shipping Commission
 Western Australian Energy Disputes Arbitrator
 Western Australian Greyhound Racing Association
 Western Australian Health Promotion Foundation
 Western Australian Institute of Sport
 Western Australian Land Information Authority
 Western Australian Meat Industry Authority
 Western Australian Planning Commission
 Western Australian Sports Centre Trust
 Western Australian Tourism Commission
 Western Australian Treasury Corporation
 Wheatbelt Development Commission
 WorkCover Western Australia Authority
 Zoological Gardens Authority

Subsidiaries

ECU Resources for Learning Ltd
 ECU Resources for Learning Ltd (NZ Subsidiary)
 STEPS Professional Development
 GESB Wealth Management Pty Ltd
 Homeswest Loan Scheme Trust
 Innovative Chiropractic Learning Pty Ltd
 Intergrain Pty Ltd
 Keystart Bonds Limited

Keystart Housing Scheme Trust
 Keystart Loans Limited
 Keystart Support Trust
 MS Biotechnology Pty Ltd (Dormant)
 Murdoch Investments Company Pty Ltd
 MurdochLink Pty Ltd
 Murdoch Retirement Services Ltd
 Murdoch University Foundation
 Murdoch University Veterinary Centre Trust
 The University Club of Western Australia Pty Ltd

Request audits

SB Investment Trust
 Sir Charles Gairdner Foundation Trust
 Sir Charles Gairdner Research Foundation Inc
 South West Cogeneration Joint Venture
 Tertiary Institutions Service Centre (Inc)
 The Director of Legal Aid and Others in Trust (Inactive)

Audits under other legislation

Cemeteries

Albany Cemetery Board
 Bunbury Cemetery Board
 Chowrup Cemetery Board
 Dwellingup Cemetery Board
 Geraldton Cemetery Board
 Kalgoorlie-Boulder Cemetery Board
 South Caroling Cemetery Board

Port authorities

Albany Port Authority
 Broome Port Authority
 Bunbury Port Authority
 Dampier Port Authority
 Esperance Port Authority
 Fremantle Port Authority
 Geraldton Port Authority
 Port Hedland Port Authority

Other legislation

Annual Report on State Finances
 Horizon Power
 Independent Market Operator
 Synergy
 Verve Energy
 Water Corporation
 Western Australian Land Authority
 Western Power – Networks

Glossary

Accountability is traditionally established when Parliament confers responsibility on public sector agencies to account through a Minister of the Crown for all that is done in the exercise of their authority, the manner in which it is done and the ends sought to be achieved.

Accrual Accounting provides information on revenue earned and expenditure incurred in an accounting period irrespective of when actual cash transactions occur (ie when money is received or paid). It also involves accounting for the portion of assets consumed and liabilities incurred during the period and provides a summary of the net worth of the entity at the end of the reporting period.

Across Government Benchmarking Audits build on the annual assurance audits and are aimed at providing an indication to Parliament and agency management of how agencies are performing relative to each other on selected key control activities.

Agency means a department, a sub-department or a statutory authority as defined in the *Financial Management Act 2006*.

Annual Report on State Finances is a report prepared in accordance with the *Government Financial Responsibility Act 2000* that provides the State's public sector financial results for the financial year and outlines material differences between these results and the financial projections contained in the State Budget for that financial year.

Assurance Audit or Financial Audit is audit work performed to enable an opinion to be expressed on the financial statements of an entity. For most agencies, it also includes audit work to enable an opinion to be expressed on their controls and key performance indicators.

Audit includes to examine, investigate, inspect and review.

Auditor General's Report is the vehicle used to report to Parliament the results of audits and examinations conducted under sections 12 to 20 of the *Auditor General Act 2006*.

Australian Equivalents to International Financial Reporting Standards (AIFRS) are Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are equivalent to Accounting Standards issued by the International Accounting Standards Board (IASB).

Compliance Audits are audits that provide information about agency compliance with legislation, public sector policies and good practice.

Corporatised Entities operate under enabling legislation in a similar manner to companies under the *Corporations Act 2001*.

Department means a department of the public sector established under the *Public Sector Management Act 1994*.

Direct Reporting Engagement is an examination resulting in a written report being prepared where the party responsible for the matter examined has not been significantly involved in initiating the report.

Effectiveness Indicators are key performance indicators that provide information on the extent to which agency level government desired outcomes have been achieved, or contributed to, through the delivery of services.

Efficiency Indicators are key performance indicators that generally relate services to the level of resource inputs required to deliver them.

Entrance Interviews are formal meetings with senior management of agencies and other entities conducted during the audit planning phase to provide the opportunity to canvass with management issues of importance and to explore the proposed audit emphasis and areas of coverage.

Exit Interviews are formal meetings with senior management of agencies and other entities at the penultimate stage of audits and examinations to confirm understandings and to explain audit findings and conclusions.

Financial Statements are a structured set of financial information including explanatory notes derived from accounting records to communicate for a period of time an entity's financial performance and cash flows,

and at a point of time its financial position, that is useful to a wide range of users in making economic decisions.

Follow-up Audit – performance audits are followed up three to five years after tabling to review the extent to which recommendations from the previous performance audit have been implemented.

A **Follow-on Audit** reviews the progress in implementing recommendations from a previous report and has additional scope in covering significant issues or developments in the area or program.

Follow the Dollar Audits look at how government grants are being spent by receiving organisations.

Key Performance Indicator (KPI) is information about critical or material aspects of service performance or outcome achievement.

Key Performance Indicator Audit is an audit performed to enable an opinion to be expressed about whether or not the key performance indicators are relevant and appropriate having regard to their purpose and fairly represent indicated performance.

Management Letter is a letter to senior management of an agency or other entity that conveys the significant audit findings and result of an audit.

Materiality is the characteristic based on the size and /or nature of an omission or misstatement of accounting, performance or compliance information that, in the light of context or circumstances, has the potential to adversely influence the economic decisions that users make on the basis of the information.

Matters of Significance (MoS) are the 'key messages' in Auditor General's reports. 'key messages' are defined as the issues a general parliamentary reader would take away from the report after the detail of specific findings and recommendations has receded into the background.

Modified Audit Opinion is expressed when, based on the audit evidence obtained, or where sufficient appropriate audit evidence is unable to be obtained, the financial statements are not free from material misstatement, or where the key performance

indicators are not relevant or appropriate or do not fairly represent indicated performance, or where controls are inadequate.

Outcomes are the effect, impact, result on or consequence for the community, environment or target clients of government services.

Performance Audits (PA) are audits that examine efficiency and effectiveness of public sector agencies or specific areas within an agency or across a number of agencies.

Service means the supply of an activity or good to a user external to the entity providing the service. Services comprise programs and outputs.

Significance is the relative importance in the circumstances, in relation to audit objectives, of an item, event or information, or problem the auditor identifies.

Statutory Authority means a person or body specified in Schedule 1 of the *Financial Management Act 2006*. These agencies are established by Parliament under legislation for specified purposes.

Sub-department means an entity in respect of which a declaration under section 56(2) of the *Financial Management Act 2006* has effect.

Treasurer's Instructions are prescribed requirements at a minimum level with respect to matters of financial administration that have the force of law and must be observed by public sector agencies under the *Financial Management Act 2006*.

Unmodified Audit Opinion is expressed when the audit concludes, based on the audit evidence obtained, that, in all material respects, the financial statements are free from material misstatement, the key performance indicators are relevant and appropriate and fairly represent indicated performance, or controls are adequate.

Working Papers are documents that record the auditor's planning, the audit procedures performed, the audit evidence obtained, the auditor's findings and the conclusions drawn for an audit.

Index

A

Accrual Accounting 114
 Across government benchmarking audits 4, 7, 20, 21, 31, 90, 114
 Agency restructures 4, 17, 91
 Albert Facey House 4, 7, 40, 46, 51
 Annual assurance audit results 31
 Annual financial statement audits 10
 Annual Report on State Finances 114
 Application controls 27
 Application controls audits 26
 Assurance audit 22
 Assurance Services Division 7, 12, 39
 Audit certifications 19
 Audit expectation gap 5
 Audit opinions 4, 19, 31
 Auditor General 4, 10
Auditor General Act 2006 5, 11, 17, 23, 38, 96
 Audit and Risk Management Committee 44, 98
 Audit clients 112
 Audit fee 109
 Audit reports 48
 Audit Results Report 31, 35
 Australasian Council of Auditors General (ACAG) 5, 7, 8
 Australasian Reporting Awards 9
 Australian Accounting Standards 63, 69, 71, 72, 73, 74

B

Beyond Compliance: Reporting and managing KPIs in the public sector 33
 British Columbia 42
 Business Continuity Plan 44

C

Capital works 92
 Cash Flows 61
 Changes in Equity 60
 Code of Conduct 41
 Colin Campbell 13
 Colin Murphy 13
 Collaborative audits 5, 17

Communications 48, 97
 Communications strategy 101
 Compliance and IS Division 12
 Compliance audits 20
 Consolidated account 62
 Continuous improvement 7, 46, 104
 Corporate Executive 5, 7, 39, 45
 CPA Recognised Employer Program 44
 Cyber Security in Government Agencies 26

D

Department of Commerce Support to the Plumbers Licensing Board 28
Disability Services Act 1993 93
 Don Cunningham 13

E

Electoral Act 1907 94
 Employee attraction and retention 17
 Employee benefits 67, 74
 Employees 40
 Employee survey 40
 Enabling legislation 11
 Engagement Quality Control Review 45
 Ensuring Compliance with Conditions on Mining 36
 Entrance Interviews 114
 Equity and diversity 44
 Estimates and Financial Operations Committee 5, 6, 111
 Ethics 96
 Exit Interviews 114

F

Fee model 92
 Financial auditing 19
 Financial audits 4
Financial Management Act 2006 11, 19, 38, 53, 63
 Financial performance 18
 Financial Position 59
 Financial statements 18, 53
 Follow the Dollar Audits 114

G

General Computer Controls 27
 General Computer Controls and Capability Assessments for Agencies 26
 Glen Clarke 13
 Glossary 114
 Good Governance 96
 Graduate Development Program 41
 Graduate recruitment 39, 41
 Green team 47, 110
 Grievance resolution 46

H

History 6

I

Income 58
 Income Estimates 62
 Independence 23, 111
 Independent Auditor's Opinion 54
 Information and Communication Technology Committee 50
 Information management 49
 Information Systems Audit 8, 9, 26, 27
 Information technology 50
 Innovation team 8, 46
 Integrity agencies 24
 Integrity Coordinating Group 6, 8, 101

J

Jason Beeley 13
 Joint Standing Committee of Audit 17
 Joint Standing Committee on Audit (JSCA) 5

K

Key effectiveness performance indicators 20, 21, 90
 Key efficiency performance indicators 22, 91
 Key result areas 16
 KPIs 33

L

Large Scale Performance Audits 20
 Leadership and Management Program 39, 43
 Legislative review 17
 Limited Scope Performance Audits 20

M

Management Letter 114
 Materiality 114
 Matters of significance 20, 114
 Media 26
 Members of Parliament 4, 23, 111
 Members of Parliament survey 25
 Michelle Shafizadeh 13
 Ministerial decision not to provide information to Parliament on the amount of funding Tourism WA provided for the Perth International Arts Festival 28
 Ministerial decisions 33
 Mission 10

N

National Health Reform Agreement 17
 New Recruits in the Western Australia Police Report 29
 Notes to the financial statements 63

O

Occupational safety and health 98
 Office Accommodation Master Plan 4, 7, 46, 51
 Office Consultative Committee 41, 44, 98
 Office Forums 48
 Office of Shared Services 4, 17
 Office relocation 46, 51
 Online training 43
 Organisational and divisional activities chart 12
 Organisational structure 96
 Output 19

Index

P

Parliament 4, 6, 10, 20, 21, 26, 63, 100, 101
 Parliamentary committees 23
 Parliamentary Liaison Program 47
 Peer review 7, 45
 Performance audit 4, 8, 22, 111
 Performance auditing 20
 Performance audit reports 20
 Performance indicators 90
 Performance management framework 11
 Performance review 43
 Performance Review Division 12
 Perth Mint 9
 Pharmaceuticals: Purchase and Management of
 Pharmaceuticals in Public Hospitals Report 30
 Presentations 49
 Professional development 5, 39, 43, 106
 Public Accounts Committee 5, 6, 111
 Public Administration Committee 5
 Public Interest Disclosure Act 2003 24
 Public interest disclosures 23, 24
 Public sector auditing 64
 Public Sector Management Act 1994 11, 94
 Public Sector Performance Report 28, 37

Q

Quality Assurance Plan 7, 45, 105
 Quality assurance reviews 102
 Quality Framework 45, 105

R

Referrals 4, 23
 Regional Procurement Report 28
 Remuneration of senior officers 87
 Reports 26
 Right Teacher, Right Place, Right Time:
 Teacher Placement in Public Schools Report 38
 Risk and business continuity 44
 Risk management 44, 45, 97
 Risk Management Practice Framework 44

S

Sadie Godfrey 13
 Secondments 42
 Security of online transactions 26
 Senior officers 13, 92
 Social club 47
 Special investigations 23, 24
 Staff attrition 41
 Standards and Quality Division 12, 45, 105
 Strategic Plan 2011-16 5, 14, 39, 40
 Strategic progress 16, 100
State Records Act 2000 95
 Strategic themes 15
 Strategy, Policy and Corporate Services 12
 Supporting Aboriginal Students in Training Report 32

T

The Management of Offenders on Parole Report 34
 Timeliness 19
 Topic selection 5, 21, 90, 103, 111
 Traineeships 42

U

University Liaison 42
 Use of CCTV Equipment and Information 35

V

Values 10
 Victim Support Services Report 30
 Vision 10

W

Website 66
 Website and intranet 48
 Wellness Committee 47
 Work experience 42
 Workforce Development Plan 5, 39, 40, 106