

Office of the
AUDITOR GENERAL
Western Australia

Serving the public interest

Annual Report

2006-2007



Transmittal Letter and Statement of Compliance

THE PRESIDENT
LEGISLATIVE COUNCIL



THE SPEAKER
LEGISLATIVE ASSEMBLY

ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2007

In accordance with section 61, 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 2007.

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

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY
AUDITOR GENERAL
30 August 2007

OUR PURPOSE

Serving the Public Interest

OUR MISSION

To enable the Auditor General to meet Parliament's need for independent and impartial information regarding public sector accountability and performance

OUR ETHOS

Our ethos is that we seek to be recognised as:

- Independent
- Credible
- Innovative

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Abbreviations

ACAG	Australasian Council of Auditors General	PAC	Public Accounts Committee
AG	Auditor General	PIDs	Public Interest Disclosures
AG Act	Auditor General Act 2006	PRD	Performance Review Division
ASD	Assurance Services Division	PSMA	Public Sector Performance Act 1994
CISD	Compliance and Information System Division	SQD	Standards and Quality Division
FM Act	Financial Management Act 2006	SPI	Strategy, Policy and Innovation Division
KPI	Key Performance Indicator		
OAG	Office of the Auditor General		



Auditor General's Overview

Statement of Accountable Authority

I take pleasure in presenting my first annual report to Parliament for the Office of the Auditor General.

This past financial year has been one of remarkable change for the Office. September 2006 saw the departure of my highly respected predecessor, Des Pearson, after 15 years of outstanding service to the Parliament and people of Western Australia.

The introduction of the *Auditor General Act 2006* (AG Act) and *Financial Management Act 2006* (FM Act) in February 2007 represented the first major overhaul of the State's financial accountability legislation in 22 years. These laws have updated the State's legislative framework to reflect contemporary financial management and audit practice and expectations.

My formal appointment as the new Auditor General for Western Australia in June ensured that 2006-07 ended on a personal high. I am honoured to take on this role, and am keenly aware of the importance of an effective and independent audit function. I am committed to continuing the impressive tradition of my predecessor by serving Parliament in a forthright, credible and relevant manner.

This I believe will inevitably involve re-visiting our medium and longer term priorities. I also see a need for me to focus initially on strategic planning and resourcing to ensure that the Office is equipped to meet current and future challenges. This will need a proactive but responsible approach to help us maintain and build Parliament and the community's confidence in the public sector.

Our Main Challenges

The introduction of the AG Act strengthened the Office's powers and status in several ways, notably:

- enhanced independence through separation of audit and financial management legislation and explicit provisions for independence of the Auditor General
- a strengthened relationship with Parliament, including greater scope for audit requests, a requirement for the Auditor General to consider the audit priorities of Parliament and a stronger role for parliamentary committees
- widened audit powers – the Office is now able to 'follow the public dollar' where private sector entities perform functions on behalf of public sector agencies.

Along with these enhanced powers and status comes greater accountability for both the Office and the Auditor General. The Office is now subject to five-yearly performance reviews, and Auditor General appointments are strictly limited to ten years. There are also stronger natural justice processes for performance examinations that require us to include agencies' responses in our reports to Parliament.

2006-07 was also the first year in which all of our attest audit work was conducted under tighter legislative reporting deadlines for agencies.

Our Performance Highlights

Despite these challenges the performance of the Office was outstanding. The highlights were:

- 16 performance examinations and audit report items tabled in Parliament. These identified 108 Matters of Significance, a result well above the Office's target of 100
- 99 per cent of opinions were issued in time to allow for tabling of annual reports within 90 days
- Parliament's continuing high levels of satisfaction with all our work, as evidenced by the positive response to our annual survey
- an attrition rate of 20 per cent in a very tight labour market. This compares with the all-time high rate of 27 per cent in 2005-06 in a similar labour market.

Acknowledgements

I would like to acknowledge the wonderful and talented team that worked with both Des Pearson and myself during the past year. The cooperation, dedication and commitment of each staff member during this watershed period in the Office's history was greatly appreciated.

I would also like to thank the Parliament of Western Australia for its continued support and cooperation, in particular the Assembly's Public Accounts Committee and the Council's Estimates and Financial Operations Committee. I have found their input invaluable as together we have explored the new responsibilities and possibilities created by the AG Act.

Finally, I wish to again acknowledge the debt owed to Des Pearson. During his period as Auditor General, Des successfully implemented a range of strategies and initiatives that had a profound effect on this Office. The main strategy was to turn us into a leader in performance auditing. He engineered:

- the development of the public sector's first performance indicators framework which enabled the Office to audit the relevance and accuracy of agency performance indicators
- innovative e-auditing techniques and specialist information systems audit capability
- effective relationships with Parliament and its various committees.

Under Des Pearson's leadership the Office evolved into a dynamic and innovative audit office with an international reputation in performance auditing. I am committed to building on this foundation.



COLIN MURPHY
AUDITOR GENERAL
30 August 2007

Auditor General's Overview ... continued

Operational Structure

ENABLING LEGISLATION

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

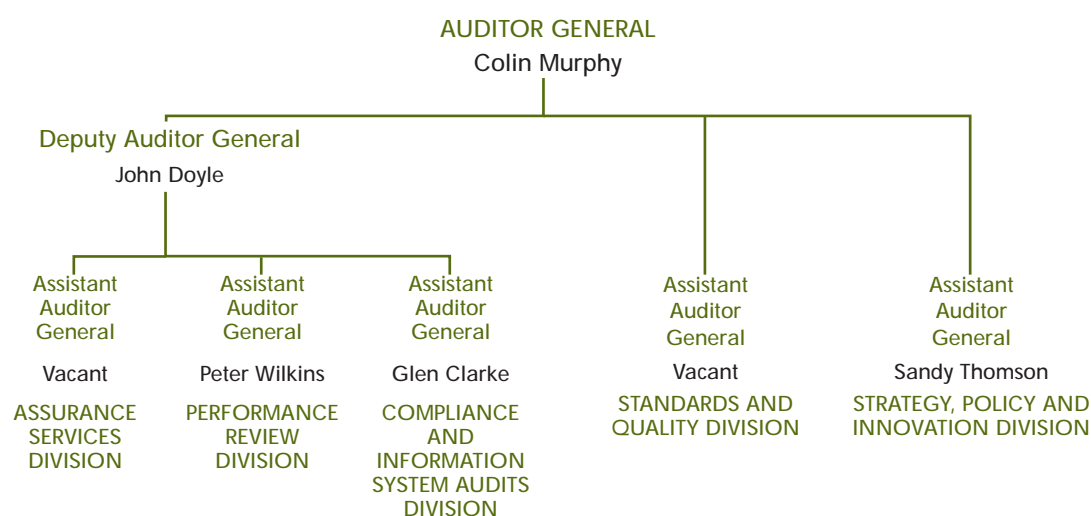
INDEPENDENT OFFICER

Under the *Auditor General's Act 2006* (AG Act) the Auditor General is an independent officer of Parliament authorised and required to act independently in relation to the performance of his or her functions. The Office does not have a responsible Minister. Subject to the AG Act, and other written laws, the Auditor General has complete discretion in the performance of those functions.

ORGANISATION CHART (at 30 August 2007)

The Office is an audit office of around 110 staff responsible to the Auditor General for auditing the Western Australian public sector. The sector comprises some 206 government departments and other agencies. Together they employ about 128 000 people and generate a combined revenue and expenditure of \$34 billion annually to provide a range of services to the citizens of Western Australia.

The Office has five divisions, three providing audit services and two providing support.



Senior Officers

Colin Murphy, B Comm, CPA – A long-standing public servant with senior level experience in both State and Federal agencies.

John Doyle, MBA, MAcc, CA, FCPA, FCCA, FIIA, CIA – Extensive experience as an academic, chief financial officer and in corporate governance.

Peter Wilkins, PhD, MIPAA – Diverse experience in Australia and overseas including roles as an engineer, university lecturer, research consultant and over 20 years as a public sector manager.

Glen Clarke, B Bus, CPA – Extensive audit and corporate management experience in the public and not-for-profit sectors.

Sandy Thomson, FAAQHC, AFCHSE, MHSM – Diverse and extensive experience in corporate management particularly in the public health sector. Accredited Surveyor for the Australian Council of Health Care Standards.

DIVISIONS

Assurance Services Division (ASD)

Provides Parliament with opinions on the integrity of public sector financial statements and performance indicators and agencies' internal controls and environments.

Performance Review Division (PRD)

Provides Parliament with information and analysis of public sector programs and operational performance, recommending opportunities for improvement when appropriate.

Compliance and IS Audits Division (CISD)

Compliance examinations provide Parliament with information about agency compliance with legislation, public sector policies and accepted good practice. Information system audits provide information about the functionality and integrity of computerised information systems.

Standards and Quality Division (SQD)

Provides the Auditor General with confidence that the operational arms of the Office are complying with internal standards. In addition, develops strategies for enhancement of audit methodology.

Strategy, Policy and Innovation Division (SPI)

Provides the Auditor General with the services and strategies necessary to ensure effective communication with Parliament, the community and stakeholders in public sector audit. In addition, ensures the human, financial and other resources of the Office are used efficiently and effectively and that management has the information to effectively run the Office.

KEY LEGISLATION IMPACTING ON THE OFFICE'S ACTIVITIES

The Office does not administer legislation.

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

- *Auditor General Act 2006*
- *Contaminated Sites Act 2003*
- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Electronic Transactions Act 2003*
- *Electoral Act 1907*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006* and *Corporations (Western Australia) Act 1990* (Corporations Law)
- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*

The following laws also impact on the Office's activities:

- *Constitution Act 1889* and *Constitution Acts Amendment Act 1899*
- Treasurer's Advance Authorisation, Supply, Loan and Appropriation Acts and Financial Agreement Acts
- *Interpretation Act 1984*
- Laws affecting agencies and activities subject to audit by the Auditor General

Auditor General's Overview ... continued

The Office is exempt from the operations of the *Freedom of Information Act 1992*.

In the financial administration of the Office, we have complied with the requirements of the *Financial Management Act 2006* and every other relevant written law, and exercised controls which provide reasonable assurance that the receipt and expenditure of money and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

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



COLIN MURPHY
AUDITOR GENERAL



SANDY THOMSON
CHIEF FINANCE OFFICER
30 August 2007

Performance Management Framework

OUTCOME BASED MANAGEMENT FRAMEWORK

Government Goal	Desired Outcome	Service
Governance and public sector improvement	An informed Parliament on public sector accountability and performance	Performance Auditing

CHANGES TO OUTCOME BASED MANAGEMENT FRAMEWORK

The Office's Outcome Based Management Framework did not change during 2006-07.

SHARED RESPONSIBILITIES WITH OTHER AGENCIES

The Office did not share any responsibilities with other agencies in 2006-07.



Agency Performance – Report on Operations

Year in Review

Our aim is to meet the community's demand for high quality information and assurance about public sector performance, by providing a range of performance auditing services.

As well as annual audits of agency financial statements, controls and performance indicators (attest audits), we also conduct performance and accountability examinations and provide reports to Parliament on these. Increasingly we are also conducting investigations into matters raised by members of the public.

In common with other public sector agencies we provide our services within certain budgetary and resource limits.

In 2006-07 we conducted attest audits in relation to 206 agencies and completed almost all of them within the much tighter deadline. Previously, these audits were completed within four months of year end, whereas they now need to be completed in less than 90 days. We also audited the first Annual Report on State Finances.

Over the same period we tabled 11 reports in Parliament. These contained a total of 108 Matters of Significance arising from 16 performance and accountability examinations as well as from our attest audit work. This compares with 15 reports tabled in 2005-06 raising 106 Matters of Significance as a result of 18 examinations and our attest audit work.

Under the *Financial Management Act 2006* and its predecessor, the *Financial Administration and Audit Act 1985* we are required to report to Parliament on Matters of Significance. These have been defined as the 'key messages' in our reports, or those issues a general parliamentary reader would take away from the reports after the detail of specific findings and recommendations have receded into the background.

The 2006-07 reports covered a wide range of important topics such as:

- Legal Aid in Western Australia
- Shared Services Reform: A Work in Progress
- A Helping Hand: Home-Based Services in Western Australia
- Management of Major Information and Communications Technology Projects
- Arrangements for Managing the Performance of Chief Executive Officers
- Management of Land Tax and Metropolitan Region Improvement Tax.

Public interest in this work can be gauged from the number of times the reports are accessed on our website. Table 1 shows the 'top 10' downloads for our reports in the 12 months to 30 June 2007.

Agency Performance – Report on Operations ... continued

Top 10 Downloads 2006-07	
Report	Downloads
Life Matters: Management of Deliberate Self-Harm in Young People	5 152
Help Wanted: Public Service Workforce Management	4 835
A Critical Resource: Nursing Shortages and the Use of Agency Nurses	4 829
Balancing Act: The Leasing of Government Assets	3 804
Audit Results Report by Ministerial Portfolios at 16 October 2006	3 527
Second Public Sector Performance Report	3 135
Management of Ramsar Wetlands in Western Australia	2 361
Customer Calling: Call Centres and the Delivery of Customer Benefits	1 781
Room to Move: Improving the Cost Efficiency of Government Office Space	1 656
Contracting Not-for-Profit Organisations for the Delivery of Health Services	1 651

Table 1

Each of our reports includes recommendations to management to address the report's Matters of Significance. Consistent with the democratic principles underlying our Westminster system of government, the Auditor General does not have the power to require agencies to act on these recommendations. The decision whether or not to take action is a management prerogative for which the government of the day is accountable.

In recent years the Legislative Assembly's Public Accounts Committee (PAC) has taken a more proactive role in following-up on our recommendations. Twelve months after each report is tabled, the PAC requests management to provide information on actions taken in response to our recommendations. Where no action is taken agencies are required to provide reasons. We support the PAC's initiative as we see it as significantly enhancing transparency.

Some agencies are also proactive and respond to recommendations before reports are tabled. For example, while an examination of the arrangements for managing Chief Executive Officer performance was in progress the Department of the Premier and Cabinet initiated a review for CEO's covered by the *Public Sector Management Act*. This approach is applauded as it demonstrates that agencies are willing to be proactive in making changes for the betterment of the public service.

Under Des Pearson the Office's parliamentary liaison activities had been boosted significantly, even before the AG Act became law. That practice has continued. In 2006-07 activities included:

- ten meetings with seven Parliamentary Committees involving 37 Members of Parliament (MPs)
- six meetings with Ministers and Shadow Cabinet members on the AG Act and audit activity in their portfolios
- briefings to 14 MPs following the tabling of audit reports
- particular attention was also paid to engaging with Minor Party and Independent MPs who may have, in the past, had less contact with the Auditor General than other MPs.

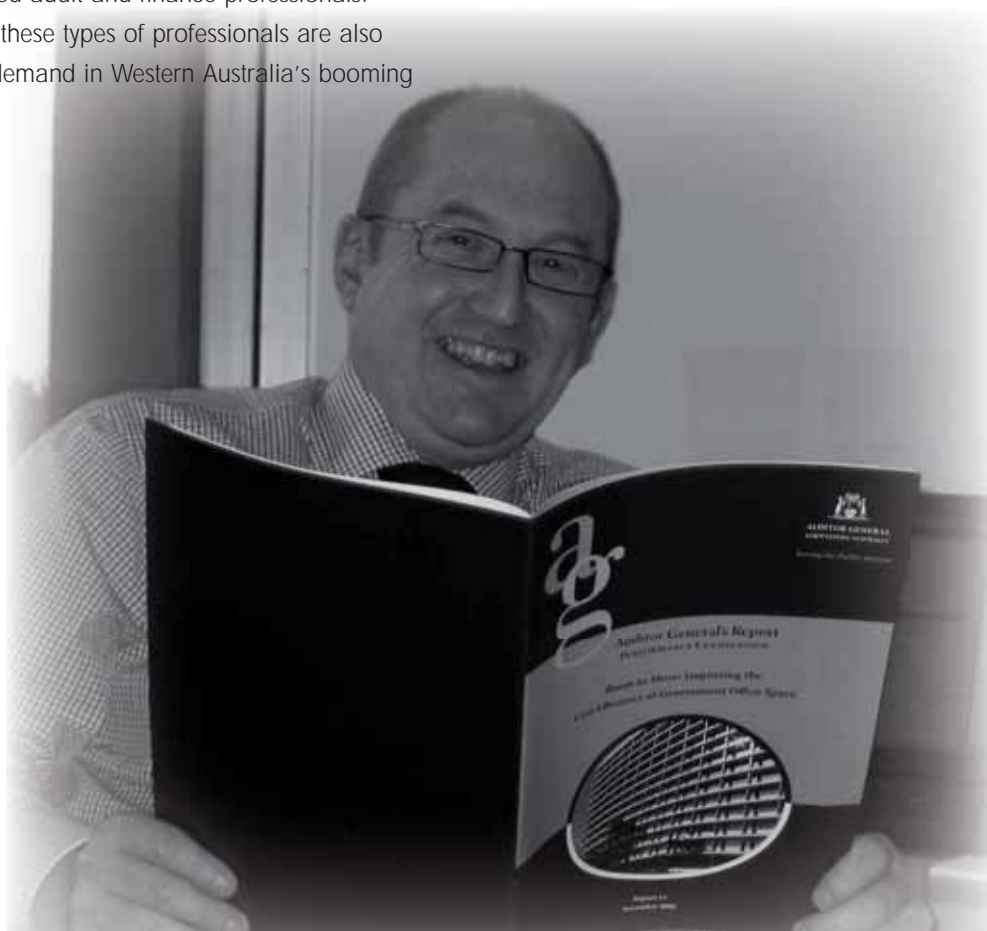
In recent years we have noticed an increase in the numbers of enquiries and complaints received about public sector management. Many of these enquiries and complaints raise personal grievances that do not involve systemic issues that are at the heart of our mandate. However, Table 10 on page 63 also shows that these enquiries and complaints occasionally provide useful business intelligence for our attest audits. Others may justify a special investigation.

We are now tracking special investigations because we foresee this service growing still further as Parliament's, and the public's, interest in holding government accountable continues to grow.

The services we provide require qualified and experienced audit and finance professionals. However, these types of professionals are also much in demand in Western Australia's booming economy.

Attracting and retaining staff has been a continuing challenge for this Office for some years. Our attrition rate of 20 per cent in 2006-07 was seven per cent less than in 2005-06 but this still equates to an annual turnover of one in five staff.

While a key focus and commitment is to continue to build in-house capacity and capability the audit expertise of the private sector is also highly valued. As can be seen on the following pages in the discussion of our performance against our financial targets, there was a small decrease of \$143 000 or 3.5 per cent in this expenditure between 2005-06 and 2006-07. However, measured over the five years to 30 June 2007 it has grown by almost \$1.6 million or more than two-thirds.



*Director, Performance Review Jason Beeley conducts performance examinations for the Office. Jason led the team that produced the report **Room to Move: Improving the Cost Efficiency of Government Office Space**. This report was in our 'top 10' downloads.*

Agency Performance – Report on Operations ... continued

Summary of Financial Performance

The following is a summary of the financial performance of the Office and the trends from 2003 through to the current period ended 30 June 2007. The summary is based on information provided in the Office's audited statements of financial performance.

There are a number of outcomes that should be highlighted:

- The variance increase in FTEs (full time equivalents) was due to the focus of the Office to build capacity to reduce reliance on private sector contractors and associated costs of contracting in audit services.
- An associated expense of building capacity and capability of new and existing staff is the strategic investment in a comprehensive professional development program. This strategy is also designed to improve retention rates.
- The net effect of increased FTE, increased salary costs, increased costs of contracting audits and investment in professional development is demonstrated through an overall increase in total Cost and Net Cost of Services. (Refer Table 2 Notes a and b.)
- There was a net decrease in cash compared to Budget. This was mainly due to the purchase of non-current assets of \$622 000 and a net increase in cash used in operating activities of \$479 000. (Refer Table 2 Note c.)

Table 2 shows the Office's actual financial performance compared to its 2006-07 budget targets.

Service and Appropriation Summary ¹			
	2006-07 Target \$000 ⁽²⁾	2006-07 Actual \$000 ⁽³⁾	Variation ⁽⁴⁾ \$000
Total Cost of Service (Expense Limit)	14 176	15 654	1 478 10% ^a
Net Cost of Services	14 156	15 631	1 475 10% ^a
Total Equity	706	939	233 33% ^b
Net Increase/(Decrease) in cash held	267	(1 101)	(1 368) (512%) ^c
	Number	Number	Number
Approved Full-Time Equivalent (FTE) Staff Level	97	104.50	8 8%

Table 2

(1) 'Service' means Performance Auditing.

(2) As specified in 2006-07 Budget Statements (Budget Paper No 2, Volume 1), p222, 227 and 228.

(3) As specified at pages 20 to 23 of the Financial Statements and Key Performance Indicators.

(4) Further explanations are also contained in Note 36 'Explanatory Statement' at page 46 of the Financial Statements and Key Performance Indicators.

Table 3 shows the Offices' actual financial performance and position over a period of five years including 2006-07.

	2002-03 \$'000	2003-04 \$'000	2004-05 \$'000	2005-06 \$'000	2006-07 \$'000
Financial Performance					
Total Income ^(a)	11 526	10 587	12 619	14 731	15 509
Total Expenditure	10 809	11 926	12 694	14 249	15 654
Net Cost of Services	7 352	9 770	12 627	14 149	15 631
Change in Net Assets	717	(1 339)	(75)	509	(145)
Financial Position					
Total Assets	3 318	2 498	2 600	3 969	3 176
Total Liabilities	1 523	1 920	2 025	2 885	2 237
Employee Entitlements	1 093	1 468	1 623	1 640	1 628
Analytical Information					
Change in Net Assets to Total Income ^(b)	6.22%	(12.65%)	(0.59%)	3.46%	(0.93%)
Current Ratio ^(c)	2.84	1.49	1.05	1.18	1.14
Debtor Turnover ^(d)	0.13	0.02	0.03	0.03	0.04

Table 3

(a) Total Income refers to Total Operating Revenue and Total Revenues from Government. It reflects the revised arrangements for treatment of audit fee revenue introduced in 2004-05. Under this treatment fees collected for audit services are paid directly in the Consolidated Account as Administered Revenue. The increase in 2007 relates to additional funding approved to assist the Office in delivering services.

(b) The ratio of Change in Net Assets to Total Income.

(c) The ratio of Current Assets to Current Liabilities.

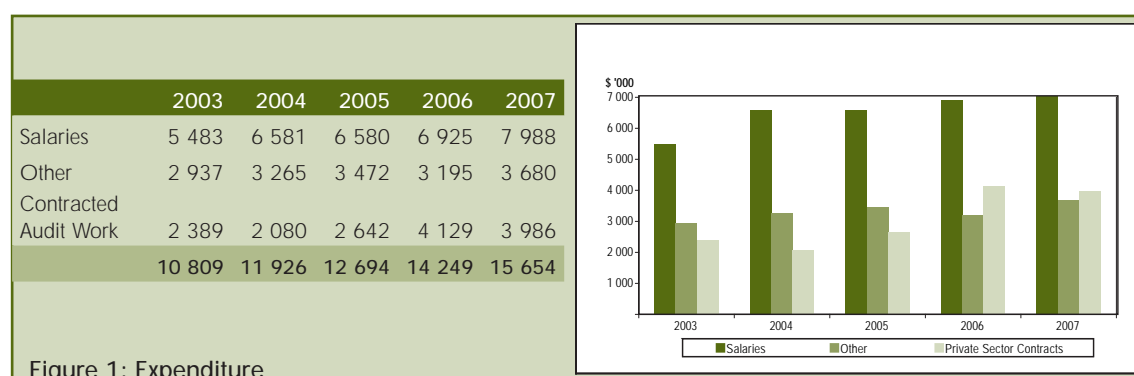
(d) The ratio of Receivables and Work in Progress to Total Income.

Agency Performance – Report on Operations ... continued

TOTAL EXPENDITURE

Figure 1 provides Total Expenditure from 2003 to 2007 broken down into Salaries, traditionally the largest single item in this category, Contracted Audit Work and Other Operating Expenses such as Depreciation and Administration costs.

Salaries was the largest expenditure item for 2006-07 (51 per cent of the 2006-07 total cost of services). Although the costs of contracted work was slightly lower in 2006-07 from 2005-06 the trend from 2004-04 reflects the increased usage of private sector audit resources.



FINANCIAL POSITION – ASSETS AND LIABILITIES

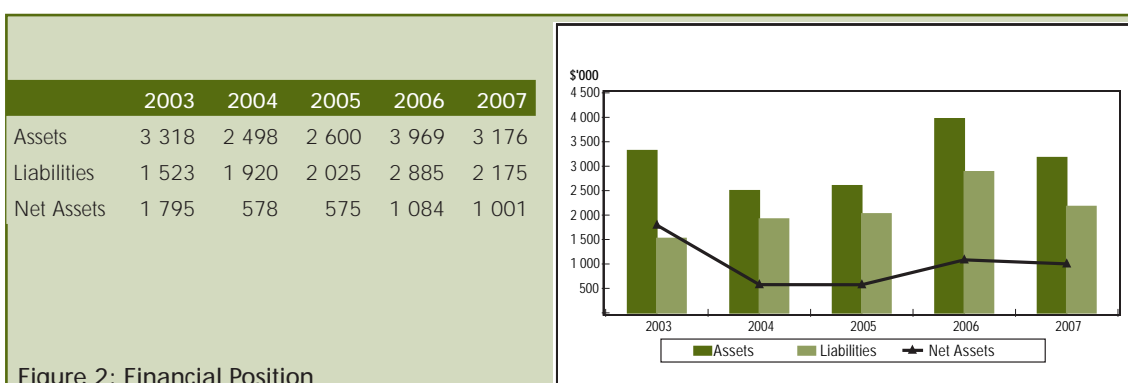
Figure 2 provides an overview of the assets and liabilities position of the Office.

The position of net assets of the Office decreased during the financial year. This was mainly due to decreases in Cash and Cash Equivalents and corresponding decreases in Contractor work in progress liabilities and payments of employee entitlements.

The Office's asset holdings for 2006-07 comprised mainly Cash and Restricted Cash Assets (32 per cent) and Plant, Equipment and Intangibles (31 per cent). There was a decrease of 22 per cent in Cash and Restricted Cash Assets

when compared to 2005-06. This was mainly due to an increase in payments for employee benefits as a result of increased FTEs, purchase of non-current assets (such as the Office's roll-out of new laptop computers) and increased costs of supplies and services.

The major component of the Office's liabilities for the 2007 financial year (75 per cent) relates to employee entitlements. This compared to 57 per cent for the 2006 financial year, an increase of 18 per cent. This was mainly due to an increased provision made for Annual Leave not taken during the year.



Summary of Key Performance Indicators

Table 4 provides an overview of 2006-07 key performance indicator targets and outcomes achieved.

EFFICIENCY

Both the 'cost per matter of significance' and the 'average cost per major audit' were marginally lower than our targets. This was due to effective internal management and improvements in agency preparedness for audit.

The 'average cost per other audit' significantly exceeded our target cost mostly due to costs associated with contracting out audit services.

EFFECTIVENESS

An annual survey of Members of Parliament provides important feedback as to the extent to which the Office's reports and services are useful and fulfil their needs.

Table 4 provides an overview of the three effectiveness indicators, our targets and outcomes achieved.

The 2006-07 outcomes indicate a reduction in agreement 'that the Office is effective in achieving its desired outcome' while conversely there was an increase in agreement that 'the Office reports and services are useful to parliament'. The outcome for the first indicator will be explored through our parliamentary liaison program to assess whether there is a substantive basis for this result.

Summary of Key Performance Indicators			
	2006-07 Target ⁽¹⁾	2006-07 Actual ⁽²⁾	Variation ⁽³⁾
Key Efficiency Indicators			
Average cost per matter of significance	\$33 927	\$32 522	(\$1 405) (4%)
Average cost per major audit	\$140 634	\$137 039	(\$3 595) (3%)
Average cost per other audit	\$20 057	\$25 646	\$5 589 28%
Key Effectiveness Indicators			
Agreement in Parliamentary Census that the Office is effective in achieving its desired outcome	85%	78%	(7%)
Agreement in Parliamentary Census that reports dealt with matters of significance to Parliament	90%	89%	(1%)
Agreement in Parliamentary Census that Office services and reports are useful to Parliament	80%	89%	9%

Table 4

(1) As specified in 2006-07 Budget Statements (Budget Paper No 2, Volume 1), p222.

(2) As specified at page 51 of the Financial Statements and Key Performance Indicators.

(3) Further explanations are also contained on pages 52 to 54 of the Financial Statements and Key Performance Indicators.

Agency Performance – Report on Operations ... continued

Other Indicators of Agency Performance

The indicators set out in Table 5 are not required to be audited but are reported here because they are:

- included in the Office's strategic plan and other strategic documents
- considered critical to the understanding of the Office's operational performance as reflected in the key performance indicators.

What we set out to do	What we achieved	Comments
Reports		
Report 100 Matters of Significance in reports to Parliament.	108	Target exceeded: Result also above last year's figure of 106.
Table in Parliament 6 to 8 stand-alone and follow-up Performance Examinations during the year.	6	Target met: Tabled four stand-alone reports and two public sector performance items.
Table in Parliament 10 to 12 Control, Compliance and Accountability examinations during the year.	10	Target met: Nine reports were tabled and an additional report item was tabled on Western Power Executive Payments in August 2006. One of the nine examinations resulted in a stand-alone report.
Table in Parliament two reports on the results of financial statement, controls and performance indicator audits undertaken during the year.	2	Target met: Two reports on the audits of agencies with reporting dates on 30 June and 31 December respectively were both tabled earlier than the 2005-06 year reports.
Opinions		
Audit the financial statements, controls and performance indicators of 40 government departments; 103 statutory authorities; 16 corporate bodies; 4 universities; 10 TAFE colleges; 10 requests; 16 subsidiaries; 7 cemetery boards and the Annual Report on State Finances.	99% of opinions were issued in time to allow for tabling of annual reports within 90 days	All except two June cycle and all December cycle audit opinions were issued within timelines for responsible Ministers to table annual reports within 90 days of end of financial year. A further three agencies had not submitted their financial statements and performance indicators for audit by that date.
Enquiries and Investigations		
Manage Public Interest Disclosures and conduct other investigations in accordance with professional standards and complete within agreed timelines.	100%	Target met: There were eight special investigations and one PID for 2006-07, compared to seven and four respectively in 2005-06.
Respond to 100% of complaints and enquiries within 10 working days.	61%	Target not met: A number of these enquiries and complaints were complex.
Professional Development (PD)		
Continue implementation of sustainable workforce planning strategies to:		
1 Establish a training framework for future delivery of training against identified skills gaps.	Framework in place	Target 1 met: In 2006-07 a strategic training plan, a 12 month training calendar, and a draft performance management system and process were all drafted and approved. Work commenced on updating policies and processes for PD and Study Assistance.
2 Deliver training to current and future target groups.	Commenced delivery of training on a targeted basis	Target 2 met: Training commenced for current target groups and will continue in 2007-08 as per the strategic training plan.
3 Address the attrition of staff.	Attrition rate has fallen	Target 3 – too early to assess whether new strategies will have long term success.

Table 5



Significant Issues and Trends

Current and Emerging Issues and Trends

PUBLIC AND PARLIAMENTARY INTEREST IN PUBLIC SECTOR PERFORMANCE

The confidence of Parliament and the community in public sector performance remains a high area of interest, demonstrated by the number of enquiries and complaints and Public Interest Disclosures received. (Refer pages 62 to 63 for more detail). The introduction of the AG Act in February 2007 has significantly strengthened the Auditor General's role with Parliament. While he is not subject to direction he must have regard to audit priorities of Parliament and the interest of the Public Accounts and the Estimates and Financial Operations committees in relation to the Office's budget and structure.

The Public Accounts Committee of the Legislative Assembly (PAC) has also established a new approach to following up reports tabled by the Auditor General. Agencies are now required to report, within 12 months of tabling, to the PAC on their progress with implementing recommendations from our reports. The PAC reports agency progress to Parliament. This approach by the PAC is expected to make a valuable contribution to accountability and improved performance of agencies.

SHARED CORPORATE SERVICES

The ongoing implementation of Shared Services has required a reappraisal of approaches to attest audit work and evaluation of many new systems and controls being put in place. In 2006-07 the focus was on evaluating information systems and as a result a new set of audit tools was developed and implemented to analyse multi-agency data across the shared services data base. Work on approaches to managing shared services audits will continue in 2007-08, noting that in the longer term there may be audit efficiencies gained as standardisation of corporate services and a reduction in the number of corporate information systems continues to evolve.

GOVERNMENT INFORMATION TECHNOLOGY SYSTEMS

The ever increasing importance and complexity of information technology systems in government continues to require more audit effort. Reports, and audit findings arising from examinations of this area feature as a major product of the Office. Common themes continue to relate to required improvements in business continuity planning, security and disaster recovery.

Significant Issues and Trends ... continued

THE TIMELINESS AND QUALITY OF AGENCY WORKING PAPERS

The timely submission by agencies of quality working papers to support their financial statements is critical to the audit process and to meeting Parliament's requirements for earlier annual reporting. Improvement by some agencies is evident but it is an educative process that remains an ongoing priority for the Office.

SKILLS SHORTAGES

The ongoing skills shortage is impacting on both the Office and the wider public sector. There is a high level of competition to attract scarce resources from a shrinking labour market of audit and finance professionals from the public and private sectors. Competition between these sectors is also affecting the Office's ability to retain qualified staff. Despite this the Office was able to recruit 10 new graduates in 2007 and has made a significant investment in professional development across all levels to meet the challenges of attraction and retention. These factors put pressure on audit costs and highlight the importance of a strategic approach to workforce management and development in coming years.

TOPIC SELECTION

Advancing technology, changing demographics, environmental pressures and a strong economy are having a major impact on the community and the public sector. Increased awareness and recognition of the impacts of these areas provide fertile grounds to inform future areas of examination. Consideration of these areas, together with the use of feedback from Parliament, the community and our attest audit work enables the Office to be proactive in determining its forward program of work.

CHANGES IN WRITTEN LAW

The AG Act and the FM Act made major changes to the legislative framework for public sector financial management and accountability. To address these, as well as recent and expected changes in standards, the Office has identified the following areas of focus:

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

Future Directions

We will work towards strengthening the relationship with Parliament as we both continue to explore new possibilities and responsibilities created by the AG Act.

As foreshadowed in the Overview (pages 2 to 6) significant attention will be on strategic planning and resourcing the Office to build capacity and capability beyond 2008-09. Use of private sector audit firms will continue to be a feature of operations while at the same time ongoing investment in attraction and retention strategies occurs.



Disclosures and Legal Compliance

Financial Statements and Key Performance Indicators

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Disclosures and Legal Compliance ... continued

Office of the Auditor General

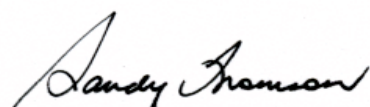
Certification of Financial Statements for the year ended 30 June 2007

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 ending 30 June 2007 and the financial position at 30 June 2007.

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



COLIN MURPHY
ACCOUNTABLE AUTHORITY



SANDY THOMSON
CHIEF FINANCIAL OFFICER
30 August 2007

INDEPENDENT AUDITOR'S OPINION

OFFICE OF THE AUDITOR GENERAL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007



RIX LEVY FOWLER
AUDIT & CORPORATE PTY LTD

INDEPENDENT AUDIT REPORT TO THE PARLIAMENT OF WESTERN AUSTRALIA

OFFICE OF THE AUDITOR GENERAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

SCOPE

I have audited the accounts, financial statements and controls of the Office of the Auditor General. The financial statements comprise the Balance Sheet as at 30 June 2007, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Summary of Consolidated Account Appropriations and Income Estimates for the year ended 30 June 2007, a summary of significant accounting policies and other explanatory notes under the provisions of the Financial Management Act 2006 and Auditor General Act 2006.

The Accountable Authority is responsible for keeping proper accounts and maintaining adequate system of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Accountable Officer.

My audit was performed in accordance with section 40 of the Auditor General Act 2006 to express an opinion on the financial statements and controls based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Office of the Auditor General to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, so as to present a view which is consistent with our understanding of the Office of the Auditor General's financial position, the results of its operations and its cash flows.

The audit opinion expressed below has been formed on the above basis.

AUDIT OPINION

In my opinion:

- (i) The financial statements of the Office of the Auditor General are based on proper accounts and present fairly, in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Office of the Auditor General as at 30 June 2007 and operating results and cash flows ended on that date; and
- (ii) The controls exercised by the Office of the Auditor General provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions.

RIX LEVY FOWLER
Audit & Corporate Pty Ltd

PHILLIP RIX FCA, F.Fin.
Director

DATED at PERTH this 23rd day of August 2007

When in place, liability will be limited by a scheme approved under Professional Standards Legislation.

Directors
Phillip Rix FCA
Ranko Matic CA
Chris Watts CA

Business Address
Level 1,
12 Kings Park Road,
West Perth WA 6005

Phone Address
PO Box 44
West Perth WA 6872

Ph: 08 9226 4500
Fax: 08 9226 4800
rixlevyfowler.com.au
ABN 11 121 222 802



OFFICE OF THE AUDITOR GENERAL

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

COST OF SERVICES	Note	2 007 \$'000	2 006 \$'000
Expenses			
Employee benefits expense	7	8 793	7 660
Supplies and services	8	5 531	5 573
Depreciation and amortisation expense	9	417	338
Accommodation expenses	10	708	609
Capital user charge	11	153	49
Loss on disposal of non-current assets	12	32	0
Other expenses	13	20	20
Total cost of services		<u>15 654</u>	<u>14 249</u>
Income			
Revenue			
Other revenue	14	<u>23</u>	<u>100</u>
Total revenue		<u>23</u>	<u>100</u>
Total Income other than income from State Government		<u>23</u>	<u>100</u>
NET COST OF SERVICES		15 631	14 149
INCOME FROM STATE GOVERNMENT	15		
Service Appropriation		15 389	14 535
Liabilities assumed by the Treasurer		82	84
Resources received free of charge		<u>15</u>	<u>12</u>
Total income from State Government		<u>15 486</u>	<u>14 631</u>
SURPLUS/(DEFICIT) FOR THE PERIOD		(145)	482

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

OFFICE OF THE AUDITOR GENERAL

BALANCE SHEET
AT 30 JUNE 2007

	Note	2 007 \$'000	2 006 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	26	957	2 094
Receivables	17	638	498
Amounts receivable for services	18	513	446
Total Current Assets		<u>2 108</u>	<u>3 038</u>
Non Current Assets			
Restricted cash and cash equivalents	16	61	25
Property, plant and equipment	19	896	844
Intangible assets	20	111	62
Total Non-Current Assets		<u>1 068</u>	<u>931</u>
TOTAL ASSETS		3 176	3 969
LIABILITIES			
Current Liabilities			
Payables	22	151	51
Provisions	23	1 246	1 308
Other current liabilities	24	458	1 193
Total Current Liabilities		<u>1 855</u>	<u>2 553</u>
Non-Current Liabilities			
Provisions	23	382	332
Total Non-Current Liabilities		<u>382</u>	<u>332</u>
TOTAL LIABILITIES		2 237	2 885
NET ASSETS		939	1 084
EQUITY			
Contributed equity	25	629	629
Accumulated surplus / (deficiency)		310	455
TOTAL EQUITY		939	1 084
TOTAL LIABILITIES AND EQUITY		3 176	3 969

The Balance Sheet should be read in conjunction with the accompanying notes.

OFFICE OF THE AUDITOR GENERAL

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2 007 \$'000	2 006 \$'000
Balance of equity at start of period		1 084	575
CONTRIBUTED EQUITY			
Balance at start of period		629	602
Capital contribution		0	27
Other contributions by owners			
Distributions to owners			
Balance at end of period	25	<u>629</u>	<u>629</u>
ACCUMULATED SURPLUS			
Balance at start of period		455	(27)
Surplus/(deficit) for the period		<u>(145)</u>	<u>482</u>
Balance at end of period	25	<u>310</u>	<u>455</u>
BALANCE OF EQUITY AT END OF PERIOD		939	1 084
Total income and expense for the period		(145)	482

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

OFFICE OF THE AUDITOR GENERAL

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2 007 \$'000	2 006 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		14 893	14 089
Capital contributions		0	27
Holding account drawdowns		429	419
Net cash provided by State Government		15 322	14 535
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(8 860)	(7 675)
Supplies and services		(5 303)	(3 975)
Capital User Charge		(120)	0
Accommodation		(705)	(615)
GST payments on purchases		(1 047)	(593)
GST payments to taxation authority		0	0
Other payments		(586)	(713)
Receipts			
GST receipts on sales		26	3
GST receipts from taxation authority		771	521
Other receipts		23	18
Net cash used in operating activities	26	(15 801)	(13 029)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		0	0
Purchase of non-current physical assets		(622)	(369)
Net cash provided by investing activities		(622)	(369)
Net increase/(decrease) in cash and cash equivalents		(1 101)	1 137
Cash and cash equivalents at the beginning of period		2 119	982
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	26	1 018	2 119

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

OFFICE OF THE AUDITOR GENERAL

SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES
FOR THE YEAR ENDED 30 JUNE 2007

	2 007 Estimate \$'000	2 007 Actual \$'000	Variance \$'000	2 007 Actual \$'000	2 006 Actual \$'000	Variance \$'000
DELIVERY OF SERVICES						
Item 39 Net amount appropriated to deliver services (I)	13 939	14 912	973	14 912	14 204	(708)
Amount Authorised by Other Statutes <i>Salaries and Allowance Act 1975</i>	249	477	228	477	331	(146)
Total appropriations provided to deliver services	14 188	15 389	(1 201)	15 389	14 535	(854)
CAPITAL						
Item 140 Capital Contribution	0	0	0	0	27	27
GRAND TOTAL	14 188	15 389	(1 201)	15 389	14 562	(827)
Details of Expenses by Service						
Performance Auditing	14 176	15 654	1 478	15 654	14 249	(1 405)
Total Cost of Service	14 176	15 654	1 478	15 654	14 249	(1 405)
Less total income	(20)	(23)	(3)	(23)	(100)	(77)
Net Cost of Services	14 156	15 631	1 475	15 631	14 149	(1 482)
Adjustments (II)	32	(242)	(274)	(242)	386	628
Total appropriations provided to deliver services	14 188	15 389	1 201	15 389	14 535	(854)
Capital Expenditure						
Purchase of non-current physical assets	479	622	143	622	369	(253)
Adjustment for other funding sources	(479)	(622)	(143)	(622)	(342)	280
Capital Contribution (appropriation)	0	0	0	0	27	27
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered Income	11 412	11 772	360	11 772	11 143	(629)

- (I) Net amount appropriated to deliver services is inclusive of Capital User Charge of \$76 000 for 2007.
(II) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

The Summary of Consolidated Account Appropriations and Income Estimates should be read in conjunction with the accompanying notes.

Note 36 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2007 and between the actual results for 2006 and 2007.

OFFICE OF THE AUDITOR GENERAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1 OFFICE MISSION AND FUNDING

The Office of the Auditor General's mission, through Performance Auditing, is to enable the Auditor General to serve the public interest by communicating to Parliament independent and impartial information regarding public sector accountability and performance.

The Office is predominantly funded by Parliamentary appropriation. The financial statements include all funds through which the Office controls resources to carry out its functions.

2 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

General

The Office's financial statements for the year ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Office has adopted, where relevant to its operations, new and revised standards and interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Office for the annual reporting period ended 30 June 2007.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board 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 are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has 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 in accordance with Accounting Standard AAS 29 'Financial Reporting by Government Departments' 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).

The judgements that have been made in the process of applying the Office's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at Note 4 'Judgements made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at Note 5 'Key sources of estimation uncertainty'.

(c) Reporting Entity

The reporting entity comprises the Office of the Auditor General. The Office administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Office. These administered balances and transactions are not recognised in the principal financial statements of the Office but schedules are prepared using the same basis as the financial statements and are presented at Note 39 'Administered expenses and income' and Note 40 'Administered assets and liabilities'.

(d) Contributed Equity

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions 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 contributions (appropriations) have been designated as contributions by owners by Treasurer's Instruction (TI) 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

(e) Income

Revenue Recognition

Revenue is 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 control transfer to the purchaser and can be measured reliably.

Rendering of Services

Revenue is recognised upon delivery of the service to the client or by reference to the stage of completion of the transaction. Audit fees are recognised in accordance with the percentage of the audit completed. The percentage of audit completed is measured by reference to labour hours incurred to balance sheet date as a percentage of the estimated total hours.

Service Appropriations

Service Appropriations are recognised as revenues 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 Office's bank account or credited to the holding account held at the Department of Treasury and Finance.

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 2006-07 Budget Statements, the Office retained \$23 000 in 2007 (\$100 000 in 2006) from the following:

- Government Vehicle Scheme;
- Other Revenue

Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

(f) Property, Plant and Equipment

Capitalisation/Expensing of Assets

Items of property, plant and equipment costing over \$1 000 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 \$1 000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial Recognition and Measurement

All items of property, plant and equipment are initially recognised at cost. For items of property, plant and equipment acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

Subsequent Measurement

Items of property, plant and equipment are carried 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 which reflects the consumption of their future economic benefits. Depreciation is calculated using the straight line method, using rates which are reviewed annually. Expected useful lives for each class of depreciable asset are:

Asset category	Life (years)
Computer equipment	3
Office equipment	10
Furniture & fittings	10

(g) Intangible Assets

Capitalisation/Expensing of Assets

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

All acquired and internally developed 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) on the straight line basis using rates which are reviewed annually. 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	3 years
----------	---------

Computer Software

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

(h) Impairment of Assets

Property, plant and equipment are tested for any indication of impairment at each reporting date. 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 or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs. See Note 21 'Impairment of assets' for the outcome of impairment reviews and testing.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date 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 carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence.

Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each balance sheet date.

(i) Leases

The Office has entered into a number of operating lease arrangements for accommodation, certain equipment and motor vehicles where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating lease. 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

The Office has two categories of financial instrument:

- Receivables (including cash and cash equivalents)
- Non trading 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 measurement is not required as the effect of discounting is not material.

(k) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of cash on hand and at call bank deposits.

(l) Accrued Salaries

The accrued salaries suspense account (refer Note 16 '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.

Accrued salaries (refer Note 24 'Other liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with 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 net fair value.

(m) Amounts Receivable for Services (Holding Account)

The Office receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as asset replacement and leave entitlements.

(n) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off. 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. See Note 3(j) 'Financial Instruments' and Note 17 'Receivables'.

(o) Payables

Payables are recognised 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 they are generally settled within 30 days. See Note 3(j) 'Financial Instruments' and Note 22 'Payables'.

(p) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable 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 each balance sheet reporting date. See Note 23 'Provisions'.

(i) Provisions – Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and 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 balance sheet date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes:

Employees may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Office has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by the Treasurer.

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension or GSS Schemes become non contributory 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). Both of these schemes are accumulation schemes. The Office makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Scheme.

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

See also Note 3(q) 'Superannuation expense'.

(ii) 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'. See Note 13 'Other Expenses' and Note 23 'Provisions'.

(q) Superannuation Expense

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans – Change in the unfunded employer's liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and
- (b) Defined contribution plans – Employer contributions paid to the West State Superannuation Scheme (WSS), GESB Super Scheme (GESBS), and the equivalent of employer contributions to the GSS.

Defined benefit plans – in order to reflect the true cost of services, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. As these liabilities are assumed by the Treasurer [refer Note 3(p) (i)], a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement. See Note 15 'Income from State Government'.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.

Defined contribution plans – in order to reflect the true cost of services of the Office, the Office is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Account.

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

(r) Resources Received Free of Charge or for Nominal Cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as revenues and as assets or expenses as appropriate, at fair value.

(s) Comparative Figures

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

4 JUDGEMENTS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

There have been no judgements made in the process of applying accounting policies that have had a significant effect on the amounts recognised in the financial statements.

5 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key estimates and assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- Discount rates used in estimating provisions.
- Estimating useful life of key assets.

6 DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES

Initial Application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

1. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Office does not currently undertake these types of transactions, resulting in no financial impact in applying the standard.
2. UIG Interpretation 4 'Determining whether an Arrangement contains a Lease' as issued in June 2005. This interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At balance sheet date, the Office has not entered into any arrangements as specified in the interpretation, resulting in no impact in applying the interpretation.
3. UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Office has not entered into any contracts as specified in the Interpretation resulting in no impact in applying the interpretation.

The following Australian Accounting Standards and Interpretations are not applicable to the Office as they have no impact or do not apply to not-for-profit entities:

AASB Standards

2005-1	'Amendments to Australian Accounting Standard' (AASB 139 – Cash flow hedge accounting of forecast intragroup transactions)
2005-5	'Amendments to Australian Accounting Standards (AASB 1 & AASB 139)
2006-1	'Amendments to Australian Accounting Standards[AASB 121]'
2006-3	'Amendments to Australian Accounting Standards[AASB 1045]'
2006-4	'Amendments to Australian Accounting Standards[AASB 134]'
2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – Paragraph 9
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	'Scope of AASB 2'

Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Office has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]'). This standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Office's exposure to risks, enhanced disclosure regarding components of the Office's financial position and performance and possible changes to the way of presenting certain items in the financial statements. The Office does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
2. AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial instrument disclosure requirements in these standards. The Office does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
3. AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Office is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
4. AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
5. AASB 2007-5 'Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-for Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Office does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
6. AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Office has not entered into any arrangements as specified in the interpretation or within the scope of Interpretation 12, resulting in no impact when the interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

7. AASB Interpretation 12 'Service Concession Arrangements'. This interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantor (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Office if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Office has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
8. AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Office has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Office as they have no impact or do not apply to not-for-profit entities:

AASB Standards and Interpretations

AASB 8	'Operating Segments'
AASB 1049	'Financial Reporting of General Government Sectors by Governments'
AASB 2007-1	'Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]'
AASB 2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraphs 1 to 8
AASB 2007-3	'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]'
Interpretation 10	'Interim Financial Reporting and Impairment'
Interpretation 10	'AASB 2 – Group and Treasury Share Transactions'

7 EMPLOYEE BENEFITS EXPENSE

	2007	2006
	\$'000	\$'000
Salaries ^(a)	7 007	6 177
Superannuation - defined contribution plans ^(b)	499	415
Superannuation - defined benefit plans ^{(c) (d)}	306	320
Annual leave ^(e)	755	619
Long Service Leave ^(e)	226	129
	<u>8 793</u>	<u>7 660</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component

(b) Defined contribution plans include West State and Gold State (contributions paid).

(c) Defined benefit plans include Pension scheme and Gold State (pre-transfer benefit)

(d) An equivalent notional income is also recognised (*see Note 15 'Income from State Government'*).

(e) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at Note 13 'Other Expenses'. The employment on-costs liability is included at Note 23 'Provisions'.

8 SUPPLIES AND SERVICES

	2007	2006
	\$'000	\$'000
Contracted audit work	3 986	4 129
Other services and contracts	445	289
Communications	74	64
Consumables	128	200
Repairs and maintenance	233	215
Administration	267	329
Other staffing costs	251	215
Advertising	20	30
Lease expenses	114	94
Other	13	8
	<u>5 531</u>	<u>5 573</u>

9 DEPRECIATION AND AMORTISATION EXPENSE

	2007 \$'000	2006 \$'000
Depreciation		
Office and computer equipment	363	314
Furniture and Fittings	29	23
Total Depreciation	<u>392</u>	<u>337</u>
Amortisation		
Intangible assets	<u>25</u>	<u>1</u>
Total depreciation and amortisation	<u>417</u>	<u>338</u>

10 ACCOMMODATION EXPENSES

	2007 \$'000	2006 \$'000
Office rent	468	383
Office parking	62	65
Monthly Outgoings	178	161
	<u>708</u>	<u>609</u>

11 CAPITAL USER CHARGE

	2007 \$'000	2006 \$'000
Capital user charge	<u>153</u>	<u>49</u>

The charge was a levy applied by the Government for the use of its capital. 2006-07 is the final year in which the charge was levied. A single payment was made to Department of Treasury and Finance, which is equal to the appropriation for 2006-07 and adjustments relating to 2005-06.

12 NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	2007 \$'000	2006 \$'000
<u>Costs of Disposal of Non-Current Assets</u>		
Office and Computer Equipment	32	0
<u>Proceeds from Disposal of Non-Current Assets</u>		
Office and Computer Equipment	0	0
Net Gain/(Loss)	<u>(32)</u>	<u>0</u>

13 OTHER EXPENSES

	2007	2006
	\$'000	\$'000
Employment on-costs ^(a)	9	9
Audit fee ^(b)	11	11
	<u>20</u>	<u>20</u>

(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at Note 23 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

(b) Audit fee, see also Note 29 'Remuneration of auditor'.

14 OTHER REVENUE

	2007	2006
	\$'000	\$'000
Contributions for the use of motor vehicles	22	14
Miscellaneous	1	86
	<u>23</u>	<u>100</u>

15 INCOME FROM STATE GOVERNMENT

	2007 \$'000	2006 \$'000
Appropriation received during the year:		
Service appropriations ^(a)	<u>15 389</u>	<u>14 535</u>
	15 389	14 535
The following liabilities have been assumed by the Treasurer during the financial year:		
- Superannuation ^(b)	<u>82</u>	<u>84</u>
Total liabilities assumed by the Treasurer	82	84
Resources received free of charge ^(c)		
Determined on the basis of the following estimates provided by agencies:		
State Solicitor's Office	<u>15</u>	<u>12</u>
Total resources received free of charge	15	12
Total income from State Government	<u>15 486</u>	<u>14 631</u>

- a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The 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) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation scheme. (The notional superannuation expense is disclosed at Note 7 'Employee Benefits Expense').
- c) Where assets or services have been received free of charge or for nominal cost, the Office recognises revenues (except where the contributions of assets or services are in the nature of contributions by owners in which case the Office shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

16 RESTRICTED CASH AND CASH EQUIVALENTS

	2007 \$'000	2006 \$'000
<u>Non-current</u>		
Accrued salaries suspense account ^(a)	<u>61</u>	<u>25</u>

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

17 RECEIVABLES

	2007	2006
	\$'000	\$'000
<u>Current</u>		
Receivables	38	61
Other Receivables	4	33
GST Receivable	457	208
	<u>499</u>	<u>302</u>
Prepayments	139	196
Total Current	<u>638</u>	<u>498</u>

18 AMOUNTS RECEIVABLE FOR SERVICES

	2007	2006
	\$'000	\$'000
Current	<u>513</u>	<u>446</u>

Represents the non-cash component of service appropriations. See Note 3(m) 'Amounts receivable for services (Holding Account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

19 PROPERTY, PLANT AND EQUIPMENT

	2007	2006
	\$'000	\$'000
FURNITURE & FITTINGS		
At Cost	333	307
Accumulated depreciation	<u>(109)</u>	<u>(80)</u>
	<u>224</u>	<u>227</u>
OFFICE & COMPUTER EQUIPMENT		
At Cost	1 913	1 842
Accumulated depreciation	<u>(1 241)</u>	<u>(1 225)</u>
	<u>672</u>	<u>617</u>
	<u>896</u>	<u>844</u>

Reconciliations of the carrying amounts of office and computer equipment and furniture and fittings at the beginning and end of the reporting period are set out below:

	Furniture and Fittings	Office and Computer Equipment	Total
2007	\$'000	\$'000	\$'000
Carrying amount at start of year	227	617	844
Additions	25	523	548
Disposals	0	(104)	(104)
Depreciation	<u>(29)</u>	<u>(363)</u>	<u>(392)</u>
Carrying amount at end of year	<u>223</u>	<u>673</u>	<u>896</u>

	Furniture and Fittings	Office and Computer Equipment	Total
2006	\$'000	\$'000	\$'000
Carrying amount at start of year	191	685	876
Additions	59	245	304
Disposals	0	0	0
Depreciation	<u>(23)</u>	<u>(313)</u>	<u>(336)</u>
Carrying amount at end of year	<u>227</u>	<u>617</u>	<u>844</u>

20 INTANGIBLE ASSETS

	2007	2006
	\$'000	\$'000
<u>Computer software</u>		
At Cost	137	63
Accumulated amortisation	<u>(26)</u>	<u>(1)</u>
	<u>111</u>	<u>62</u>

Reconciliations:

<u>Software</u>		
Carrying amount at start of year	62	0
Additions	74	63
Amortisation expense	<u>(25)</u>	<u>(1)</u>
Carrying amount at end of year	<u>111</u>	<u>62</u>

21 IMPAIRMENT OF ASSETS

There were no indications of impairment to property, plant and equipment and intangible assets at 30 June 2007.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use.

22 PAYABLES

	2007	2006
	\$'000	\$'000
Current	<u>151</u>	<u>51</u>

See also note 3(o) 'Payables' and Note 37 'Financial instruments'.

23 PROVISIONS

	2007	2006
	\$'000	\$'000
<u>Current</u>		
Employee benefits provision		
Annual leave ^(a)	627	513
Long service leave ^(b)	619	795
	<u>1 246</u>	<u>1 308</u>
<u>Non-Current</u>		
Employee benefits provision		
Long service leave ^(b)	382	332
	<u>382</u>	<u>332</u>

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

Within 12 months of balance sheet date	627	513
More than 12 months from balance sheet date	0	0
	<u>627</u>	<u>513</u>

- (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 balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of balance sheet date	189	162
More than 12 months from balance sheet date	812	965
	<u>1 001</u>	<u>1 127</u>

24 OTHER CURRENT LIABILITIES

	2007	2006
	\$'000	\$'000
Work in Progress - Contractor payments	426	1 083
Accrued Salaries	32	110
	<u>458</u>	<u>1 193</u>

25 EQUITY

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

	2007	2006
	\$'000	\$'000
Contributed Equity		
Balance at the start of the year	629	602
Contributions by owners		
Capital contribution	0	27
Total contributions by owners	<u>0</u>	<u>27</u>
Balance at the end of the year	<u>629</u>	<u>629</u>
 Accumulated surplus/(deficit)		
Balance at the start of the year	455	(27)
Result for the period	<u>(145)</u>	<u>482</u>
Balance at the end of the year	<u>310</u>	<u>455</u>
 TOTAL EQUITY	<u>939</u>	<u>1 084</u>

26 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2007	2006
	\$'000	\$'000
Cash and cash equivalents	957	2 091
Cash advances	0	3
Restricted cash and cash equivalents (refer to note 16)	61	25
	<u>1 018</u>	<u>2 119</u>

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

Net cost of services	(15 631)	(14 149)
Non-cash items:		
Depreciation and amortisation expense	417	338
Liabilities assumed by the Treasurer	82	84
Resources received free of charge	15	12
Trade-in of assets	73	0
Net (gain)/loss on sale of non-current assets	32	0
<u>(Increase)/decrease in assets:</u>		
Current receivables ^(c)	109	(107)
<u>Increase/(decrease) in liabilities:</u>		
Current payables ^(c)	100	(62)
Current provisions	(62)	72
Other current liabilities	(735)	904
Non-current provisions	50	(55)
Net GST receipts/(payments) ^(a)	(1)	1
Change in GST in receivables/payables ^(b)	(249)	(68)
Net cash provided by/(used in) operating activities	<u>(15 801)</u>	<u>(13 029)</u>

27 COMMITMENTS

	2007	2006
	\$'000	\$'000
Private Sector Contracts Commitments		
Expenditure commitments in relation to audit services contracted for at the balance sheet date but not recognised as liabilities are payable as follows:		
Within one year	3 804	4 715
Later than one year but not later than five years	1 321	2 875
Later than five years	<u>0</u>	<u>0</u>
	<u>5 125</u>	<u>7 590</u>
Non-cancellable operating Lease Commitments		
Commitments for minimum lease payments as follows:		
Within one year	647	586
Later than one year but not later than five years	2 272	1 992
Later than five years	<u>92</u>	<u>540</u>
	<u>3 011</u>	<u>3 118</u>

* These commitments are all inclusive of GST.

28 REMUNERATION OF SENIOR OFFICERS

Senior Officers are classified as those members of Corporate Executive.

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

	2007	2006
\$30 001 - 40 000	0	1
\$60 001 - 70 000	0	1
\$80 001 - 90 000	1	0
\$90 001 - 100 000	0	1
\$130 001 - 140 000	2	3
\$140 001 - 150 000	0	1
\$150 001 - 160 000	2	0
\$220 001 - 230 000	1	0
\$250 001 - 260 000	1	0
\$280 001 - 290 000	0	1

	2007	2006
	\$'000	\$'000
The total remuneration of senior officers is:	<u>896</u>	<u>1 025</u>

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

No senior officers are members of the Pension Scheme.

29 REMUNERATION OF AUDITOR

	2007 \$'000	2006 \$'000
An independent auditor is appointed by the Governor under section 38 (2) of the <i>Auditor General Act (2006)</i> to audit the accounts, financial statements and performance indicators of the Office with the fee being paid by this Office	<u>11</u>	<u>11</u>
The expense is included at Note (13) 'Other Expenses'.		

30 RESOURCES PROVIDED FREE OF CHARGE

	2007 \$'000	2006 \$'000
During the year, audit services were provided free of charge to a number of Departments, Authorities and for Request audits.	<u>36</u>	<u>55</u>

31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at balance sheet date.

32 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no significant events that occurred after balance sheet date.

33 RELATED BODIES

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

34 AFFILIATED BODIES

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

35 SPECIAL PURPOSE ACCOUNTS

The Office does not have any special purpose accounts at balance sheet date.

36 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.

(i) Significant variances between estimate and actual for 2007 – Total appropriation to deliver services.

	<u>2007 Estimate \$'000</u>	<u>2007 Actual \$'000</u>	<u>Variation \$'000</u>
Total appropriations provided to deliver services	14 188	15 389	1 201

The variance in the total amount appropriated to deliver services was primarily due to extra funding in relation to payment for additional audit fees to private sector audit contractors and cost associated with undertaking investigations of Public Interest Disclosures.

(ii) Significant variances between actuals for 2006 and 2007 – Total appropriation to deliver services.

	<u>2007 \$'000</u>	<u>2006 \$'000</u>	<u>Variation \$'000</u>
Total appropriation provided to deliver services	15 389	14 535	854

The variance is due to additional funding required for increase and payments to contractors for audit services mainly due to the Government approved 90 day timeframe and additional audit hours undertaken.

iii) Significant variances between estimate and actual for 2007 – Capital Contribution.

	<u>2007 Estimate \$'000</u>	<u>2007 Actual \$'000</u>	<u>Variation \$'000</u>
Purchase of non-current physical assets	479	622	143

Total funding for 2006-07 capital works program is \$479 000. This amount combined with a carryover from 2005-06 of \$290 000 totals to \$769 000. Actual capital expenditure for 2006-07 is \$622 000. Total funding for the 2007 capital works program is \$769 000. This leaves an actual variance of \$147 000 to be carried forward to 2007-08.

iv) Significant variances between actuals for 2006 and 2007 – Capital Contribution.

	<u>2007 \$'000</u>	<u>2006 \$'000</u>	<u>Variation \$'000</u>
Purchase of non-current physical assets	622	369	253

The increase in the purchase of assets from prior year was mainly attributable to the Office laptop replacements which occurred in 2006-07.

v) Significant variances between estimate and actual for 2007, and actuals for 2006 and 2007 – Administered Income.

	2007 Estimate \$'000	2007 Actual \$'000	Variation \$'000
Administered Income	11 412	11 772	360

	2007 Actual \$'000	2006 Actual \$'000	Variation \$'000
Administered Income	11 772	11 143	629

The variance between 2007 Estimate and Actual is due to additional fees charged to Agencies for extra work undertaken.

The variance between 2007 and 2006 Actuals is due to an increase in contractors fees charged and additional work undertaken.

37 FINANCIAL INSTRUMENTS

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments held by the Office are 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

The Office transacts only with recognised, creditworthy third parties. The Office has policies in place to ensure that services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Office's exposure to credit risk is minimal. There are no significant concentrations of credit risk.

LIQUIDITY RISK

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.

CASH FLOW INTEREST RATE RISK

The Office is not exposed to interest rate risk because cash and cash equivalents and restricted cash and cash equivalents are non-interest bearing. The Office has no borrowings.

FAIR VALUES

All financial assets and liabilities recognised in the balance sheet, are recognised at amounts that represent a reasonable approximation of fair value.

38 SUPPLEMENTARY FINANCIAL INFORMATION

Write-Offs

During the financial year \$3 029 (2006:\$0) was written off the Office's asset register under the authority of:

	2007 \$'000	2006 \$'000
The Accountable Authority	3	0
Losses Through Theft, Defaults And Other Causes		
Losses of public moneys and public or other property through theft or default	0	0
Amount Recovered	0	0
Gifts of Public Property		
Gifts of Public Property	0	0

39 ADMINISTERED EXPENSES AND INCOME

	2007 \$'000	2006 \$'000
Expenses		
Receipts paid into Consolidated Fund	12 569	10 177
Total administered expenses	<u>12 569</u>	<u>10 177</u>
Income		
Fees for Audit Services ^(a)	11 772	11 143
Total administered income	<u>11 772</u>	<u>11 143</u>

40 ADMINISTERED ASSETS AND LIABILITIES

	2007 \$'000	2006 \$'000
Current Assets		
Cash and cash equivalents	145	147
Receivables and accrued fees ^(a)	4 365	5 197
Total Administered Current Assets	<u>4 510</u>	<u>5 344</u>
Current Liabilities		
GST Payable	110	145
Total Administered Current Liabilities	<u>110</u>	<u>145</u>

Notes to Administered Items

- a) Fees for Audit Services in 2007 includes accrued fees valued at \$4 226 196 (2006: \$4 735 786). Accrued fees are calculated in accordance with the percentage of audit completed. The percentage of audit completed is measured by reference to labour hours incurred to balance sheet date as a percentage of the estimated total audit hours.

OFFICE OF THE AUDITOR GENERAL

PERFORMANCE INDICATORS

Performance Indicators Certification

The attached performance indicators have been prepared and are reported as indicators of the performance of the Office of the Auditor General for the year ending 30 June 2007.

I certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office's performance, and fairly represent the indicated performance of the Office.

A handwritten signature in black ink, appearing to read 'C. Murphy', with a stylized, cursive script.

COLIN MURPHY
ACCOUNTABLE AUTHORITY
30 August 2007

INDEPENDENT AUDIT REPORT

OFFICE OF THE AUDITOR GENERAL

PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007



RIX LEVY FOWLER
AUDIT & CORPORATE PTY LTD

**INDEPENDENT AUDIT REPORT
TO THE PARLIAMENT OF WESTERN AUSTRALIA**

**OFFICE OF THE AUDITOR GENERAL
PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007**

SCOPE

I have audited the key effectiveness and efficiency performance indicators of the Office of the Auditor General for the year ended 30 June 2007 under the provisions of the Financial Management Act 2006 and Auditor General Act 2006.

The Accountable Authority is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act.

My audit was performed in accordance with section 40 of the Auditor General Act 2006 to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the performance of the Office of the Auditor General. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

AUDIT OPINION

In my opinion, the key effectiveness and efficiency performance indicators of the Office of the Auditor General are relevant and appropriate for assisting users to assess the Office's performance and fairly represent the indicated performance for the year ended 30 June 2007.

RIX LEVY FOWLER
Audit & Corporate Pty Ltd

DATED at PERTH this 23rd day of August 2007

PHILLIP RIX FCA, F.Fin.
Director

Directors
Phillip Rix FCA
Ranko Matić CA
Chris Watts CA

Business Address
Level 1,
12 Kings Park Road,
West Perth WA 6005

Postal Address
PO Box 44
West Perth WA 6012

Tel: 08 9226 4500
Fax: 08 9226 4300
rixlevyfowler.com.au
ABN 33 121 222 802

OFFICE OF THE AUDITOR GENERAL

PERFORMANCE INDICATORS

Government goal: To govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future.

Desired outcome: An informed Parliament on public sector accountability and performance.

Service: Performance Auditing

KEY EFFECTIVENESS INDICATORS

All Members of Parliament are surveyed annually to determine the extent to which the Office's reports and service fulfil the needs of Parliament. Responses to specific questions relating to the achievement of our Outcome were sought by the Office and are reported as key effectiveness indicators below.

Table 1: Effectiveness KPIs (Parliamentary Census)		2003-04	2004-05	2005-06	2006-07	2006-07 Target
The Office of the Auditor General is effective in achieving its desired outcome of informing Parliament on accountability and performance in the public sector		66%	80%	92%	78%	85%
Reports dealt with matters of significance to Parliament		76%	90%	85%	89%	90%
Services and reports of the Office of the Auditor General are useful to Parliament		83%	78%	89%	89%	80%

KEY EFFICIENCY INDICATORS

The key efficiency indicators reported below incorporate the cost and quantity units of the Office's single service of performance auditing, and gauge the overall efficiency in achieving the desired outcome of an informed Parliament on public sector accountability and performance.

Table 2: Efficiency KPIs		2003-04 Actual (adjusted) \$	2004-05 Actual \$	2005-06 Actual \$	2006-07 Actual \$	2006-07 Target \$
Cost per Matter of Significance (MoS)		30 494	50 781	29 600	32 522	33 927
Average cost per Audit Opinion	Cost per major audit	109 539	128 293	134 979	137 039	140 634
	Cost per other audit	17 101	17 265	23 192	25 646	20 057

OFFICE OF THE AUDITOR GENERAL

PERFORMANCE INDICATORS

EXPLANATORY NOTES FOR PERFORMANCE INDICATORS

How were the performance indicators derived?

KEY EFFECTIVENESS INDICATORS

The key effectiveness indicators are measured via an annual census of all Members of Parliament administered by an independent consultant. Respondents are not identifiable when the results are presented.

All 91 Members of Parliament were invited to participate in the 2007 Parliamentary Census using several response options. Follow-ups were made until an outcome was reached – either an agreement or refusal to participate. This year's response rate decreased to 42 per cent (from 53 per cent in 2006).

Three measures are used as indicators to show the extent to which Parliamentarians felt that: the Auditor General was achieving his desired outcome of informing Parliament on accountability and performance of the public sector; reports dealt with matters of significance; and services and reports were useful to Parliament. Responses were sought on a five point rating scale, with the measure being calculated as the number of responses with a rating of either four or five divided by the total number of responses to that question.

Key efficiency Indicators

Key efficiency indicators are formulated to measure the cost per quantity unit. The total cost for 2006-07 is derived from the Office's Cost Allocation Model in the Financial Management Information System. Projects are costed by the Cost Allocation Model using labour hours and direct costs, and allocating indirect costs. Quantity measures used to calculate key efficiency indicators are extracted from the Office's Resource Management Information System and departmental files.

Matters of Significance (MoS) are considered by the Office as being the key messages contained in reports submitted to Parliament. Key messages are defined as those issues a general parliamentary reader would take away from the report after the detail of specific findings and recommendations have receded into the background. MoS are included in all the Auditor General's reports tabled in Parliament under s.95 of the *Financial Administration and Audit Act 1985* and more recently under s.24 and s.25 of the *Auditor General Act 2006*.

Draft MoS are subject to internal review and the final MoS are determined by the Auditor General. Generally, these were identified in the Executive Summary of each Report and at the beginning of each chapter as a series of dot points.

A single, overall 'cost per audit' would not be a particularly useful key efficiency indicator because of the variation in the size and complexity of the Office's clients. Two average costs have therefore been calculated:

- major audits – the largest and/or more complex and sensitive attest audits undertaken each year. These agencies cover approximately 94 per cent of State assets.
- other audits – the remaining smaller, less complex attest audits.

A full list of Audit Clients is provided elsewhere in this Annual Report, with 'major audits' being separately identified.

What are the variations from previous indicators?

KEY EFFECTIVENESS INDICATORS

This year's Census data has been weighted by political party grouping to adjust for the lower response rate. The procedures involved weighting the raw score results by membership of political group (Government, Opposition or Independent/Minor Party) to correct for the under-representation of Government members and over-representation of Independents/Minor Party members. The variation between weighted and unweighted results for each indicator is less than one per cent.

Key efficiency Indicators

In 2004-05 the Office's internal Cost Allocations Model in the Financial Management Information System was altered. This had the effect of redistributing certain costs as allocated overheads which were previously viewed as directly attributable to the production of MoS. The adjustment of key efficiency indicators for the previous year enables direct comparison to later years' results.

This practice has been continued for the 2006-07 Annual Report and the indicators for 2003-04 included in Table 2 above have been adjusted to account for these changes in costing systems.

Why are the indicators considered relevant to the outcome and service?

The Office's desired outcome for 2006-07 is 'an informed Parliament on public sector accountability and performance'.

Parliament is the Auditor General's principal client and as such, the indicators relate to the service that the Auditor General provides to Parliament, which in turn contributes to the desired outcome. Members' satisfaction with the Auditor General's reports, service and his contribution to public sector accountability and performance directly measures the effectiveness of informing Parliament.

MoS are included in all reports tabled in Parliament under s.95 of the *Financial Administration and Audit Act 1985* and s.24 and s.25 of the *Auditor General Act 2006*.

The key efficiency indicators incorporate the cost and quantity measures of the Office's single service and gauge the overall efficiency in achieving the desired outcome of an informed Parliament on public sector accountability and performance.

Why are they key indicators of performance?

The chosen indicators directly measure the Office's effectiveness and efficiency in delivering its service and meeting its desired outcome.

How can the indicators assist the reader to assess performance?

The key effectiveness indicators inform the reader how well the service of performance auditing contributes to improved public sector accountability and performance as perceived by the Auditor General's principal major client, Parliament. Key efficiency indicators gauge the unit cost of each sub-service. Results are presented as simple percentages or ratios for easy comprehension. Results for both effectiveness and efficiency can be directly compared with performance from previous years, with efficiency results prior to 2004-05 adjusted to ensure comparability.

It should be noted a proportion of the MoS identified in performance examinations and controls, compliance and accountability reports tabled in Parliament during the financial year result from work which occurred in the previous financial year. This impacts on the final cost per MoS and was particularly evident in 2005-06.

What major movements in the measurements occurred as a result of unusual events or circumstances?

KEY EFFECTIVENESS INDICATORS

This year's Census data was collected from fewer parliamentary respondents and, although considered reliable for statistical purposes, the results present challenges for the Office to maintain an effective participation rate.

One of the three indicators improved and another remained at a level equal to the Office's highest historical result for eight years. This is a significant achievement as both indicators were close to or outperformed the targets set.

However, the decline to 78 per cent of respondents who considered that the Auditor General was effective in achieving its desired outcome of informing Parliament on accountability and performance of the public sector remains a challenge. This indicator decreased by 14 per cent from the seven year high result of 92 per cent recorded last year. This year's result is less than the target set but is above average compared to the previous five years. The decline on this indicator is inconsistent with other survey results including overall satisfaction with OAG reports and services which increased from 90 to 94 per cent.

The reasons for the movement in this indicator, from the exceptionally high level the previous year, are not immediately apparent and do not appear to relate to exceptional events. However, during 2006-07 there was a change in position holder of Auditor General for the first time in fifteen years. The recently appointed Auditor General has since met with Members of Parliament through its committees and at briefings after tabling reports. Their comments and other qualitative information provided in Parliamentarians' survey responses will be used to continue to improve the Auditor General's reports and services to Parliament.

Eighty-nine per cent of respondents indicated that the Office's services and reports are useful to Parliament. This is a similar result to the previous year and outperforms the target by nine per cent.

Eighty-nine per cent of respondents agreed that the Auditor General's reports deal with matters of significance to Parliament. This result is close to the 2006-07 target and outperforms last year's performance by four per cent.

Key efficiency Indicators

The average cost per MoS was \$32 522. This was four per cent below the target for 2006-07 although an increase of 10 per cent from the previous year. A similar number of MoS were reported to Parliament in 2006-07. This was slightly higher than the estimated achievement level. The variation in comparison to previous year results were expected as the 2005-06 figures benefited from MoS identified but not finalised and reported in the 2004-05 year.

The average cost per major audit varied only slightly from target and the previous year. This was a good outcome.

The average cost per other audit was 28 per cent above target and 11 per cent higher than the previous year. This variation largely arose from the need to contract out more audits to meet earlier reporting deadlines. Contracted audits increased by 138 per cent over the prior year. Although this had been anticipated in the setting of the target, the full impact was underestimated.

Disclosures and Legal Compliance ... continued

Other Financial Disclosures

PRICING POLICIES

The Office's fees model is limited to recovering the cost of its attest and compliance audits. Performance audit work is not invoiced to agencies.

Fees are based on the hours required to do each attest 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 attest engagements
- annual adjustment for inflation and cost pressures arising from salary increases and other expenses.

CAPITAL WORKS

Capital Works Expenditure Summary

In 2006-07 actual capital expenditure totalled \$622 000, almost 20 per cent less than the Total Estimated Expenditure of \$769 000 referred to in the 2006-07 Budget Papers. The main reason for the variation was a decision to defer the office refurbishment project.

The Total Estimated Expenditure had originally been earmarked for new computer hardware and software projects. Due to an inability to proceed with some of these projects, and pressure on office accommodation, the Executive agreed to

sequester \$150 000 for office refurbishment. However, a preliminary review of current and future office requirements found it would be necessary to conduct a more detailed costing of the work before the office refurbishment project could be given the go ahead.

Capital Projects Incomplete

No capital projects were in progress at the end of 2006-07.

Capital Projects Completed

The largest capital project implemented in 2006-07 was a laptop replacement project. The total cost of completion was \$357 000, compared to the estimated total cost of \$360 000 at 1 July 2006.

The remaining \$265 000 was spent on minor computer hardware and software projects. The expenditure on these projects was in accordance with the budget estimates.

EMPLOYEES

Staff Summary

In Table 6 total staff numbers are broken down into the five groups that make up the Equity Index.

The Office's current average age profile is 40 years, five years below the public sector median age. This younger profile reflects the Office's strong commitment to graduate recruitment. In January 2007 the Office inducted 10 graduates into our three year structured Graduate Development Program.

Summary of Office Employees							
Categories	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Projected 2008	Community Representation
Women	45%	50%	52.2%	55%	57%	N/A	49.7%
Indigenous Australians	1.9%	2.7%	0.8%	0.9%	0.8%	2%	3.2%
People from culturally diverse backgrounds	1.9%	*17.3%	20%	24.3%	30.5%	24%	17%
Disabilities	1.9%	1.8%	5.1%	4.7%	3.1%	4.7%	4%
Youth	19%	9%	17%	11.2%	12%	18%	11.5%

* revised EEO questionnaire in 2004

Table 6

Disclosures and Legal Compliance ... continued

In addition, the Office took on a school-aged trainee in the Human Resources Branch.

The Office has one indigenous cadet who is studying law at the University of Western Australia. She rotates between the PRD and the SPI divisions during her summer semesters.

Equity Index

The Equity Index provides a basis for comparing the distribution of a group across all levels of an organisation's workforce to the distribution of the workforce as a whole.

If the group has a similar distribution as the total workforce the Equity Index is 100. An index of less than 100 indicates the group is concentrated at the lower levels. An index of more than 100 indicates the group is more likely to be at the higher levels.

A meaningful Equity Index cannot be calculated for a diversity group with less than 10 individuals. For this reason the Office only has an Equity Index for Women and for People from Culturally Diverse Backgrounds.

The Office's performance against these benchmarks is shown in Table 7.

The key points to note here are:

- the 42 per cent improvement in the index for Women in the five years since 2003
- the 33 per cent improvement in the index for People from Culturally Diverse Backgrounds over the same period.

EMPLOYEES BY BUSINESS UNIT AT 30 JUNE 2007

Auditor General's Unit*	6
Assurance Services Division	60
Performance Review Division	21
Compliance and Information System Division	12
Standards and Quality Division	4
Strategy, Policy and Innovation Division	26
	129

* includes the Auditor General, Deputy Auditor General and their personal assistants and office secretarial staff

STAFFING POLICIES

Recruitment and Retention

As mentioned previously there is a high demand in the community generally for accounting, auditing and evaluation professionals. These groups comprise the Office's core operational staff.

In 2005-06 staff turnover reached 27 per cent or more than one in four staff. The text below highlights the efforts made to address this issue and helps to explain the more satisfactory result achieved in 2006-07 of 20 per cent. However, this still equates to an annual turnover of one in five staff. Attrition also has obvious cost implications. In 2006-07 the Office had to conduct 27 individual recruitment processes, eight more than the previous year.

Equity Index							
	2003 (Actual)	2004 (Actual)	2005 (Actual)	2006 (Actual)	2007 (Target)	2007 (Actual)	2008 (Target)
Women	49	49	62	59	70	68	80
People from Culturally Diverse Backgrounds	69	72	78	59	79	53	60

Table 7

The most significant initiatives undertaken were:

- The Office's recruitment and selection process was shortened from six to eight weeks from start to finish. Even so some recommended candidates were no longer available by the time the candidates were notified of the outcome of the selection process.
- The Office made greater use of pool recruitment to offer short term or casual contracts to qualified and already selected candidates wherever possible.
- A new style of job advertisement was introduced to highlight the high community value of the Office's services. The Office noted the new style produced an almost immediate and significant increase in responses.
- A staff satisfaction survey in November 2006 found 70 per cent of employees were satisfied at work. The survey identified a number of priorities including performance review and career development and these will be an area of focus in 2007-08.

Professional Development and Review

The Office remains committed to professional development of all staff. In 2006-07 a new dedicated position has been created to meet the requirements for new and existing staff. This has been particularly beneficial for new graduates, who are supported both in their team environment and by the Manager, Professional Development. The Manager, Professional Development also works closely with the Human Resources Department in identifying and addressing attraction and retention issues.

Key successes for 2006-07 include development and implementation of the professional development intranet site, including an online training calendar, a revised graduate program and dedicated training in audit methodology and report writing.

The Office also supports international exchanges and in 2006 an exchange between the Office and the Office of the Canadian Auditor General was facilitated. The experience of the officer from Canada was utilised in the Ramsar Wetlands Controls and Compliance examination tabled in Parliament in 2007.

EMPLOYEE RELATIONS

Discipline and Industrial Relations

There were no disciplinary procedures applied and no industrial relations issues during 2006-07.

Occupational Health and Safety

- Ergonomic training was provided to staff by expert consultants who also checked current office arrangements.
- Flu shots were organised for all staff. Thirty-five per cent took up the offer. The effectiveness of the new initiative is being measured.
- The average personal leave usage for 2006-07 was 6.2 days per person, a minor improvement on the 2005-06 result of 6.6 days.

Disclosures and Legal Compliance ... continued

Workers Compensation and Rehabilitation

The indicators used in Table 8 are those recommended by the Insurance Commission of Western Australia for agencies to meet the reporting requirements in this area. Outcomes compare favourably with the profile of the Western Australian State Government Workforce – Occupational Safety and Health Indicators data (June 2006).

Indicators	2003-04	2004-05	2005-06	2006-07
Frequency Rate*	5.29	5.34	0	0
Number of LTI/D X 1 000 000				
Total Hours Worked				
Incidence Rate*	1.03	1.04	0	0
Number of LTI/D X 100				
Total Number of Employees				
Average Lost Time Rate*	0	0	0	0
Number of Working Days Lost				
Number of LTI/D				
Estimated Cost of Claims per \$100 payroll	0.03	0.04	.14	0.0
Estimated Cost of Claims Incurred X 100				
Total Payroll				
Premium Rate	0.36	0.32	0.33	0.34
Premium as a percentage of payroll				
Rehabilitation Success Rate	100%	100%	100%	100%
Number of Rehabilitated Employees X 100				
Number of employees eligible for Rehabilitation				

*Journey and recess claims are excluded from these factors in conformity with National Occupational Safety data collection practice.

Table 8

Governance Disclosures

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 substantial interests had any interests in existing or proposed contracts with the Office and senior officers.

OTHER EMPLOYMENT

Under Schedule 1, clause 3 of AG Act the Auditor General must not, except so far as authorised by another law or by resolutions of both Houses of Parliament, hold certain offices, places or positions referred to 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 58(a).



COLIN MURPHY
AUDITOR GENERAL
30 August 2007

Other Legal Requirements

STATEMENT OF COMPLIANCE WITH ELECTORAL ACT 1907 SECTION 175ZE

In compliance with this section I submit the following information:

1. Section 175ZE requires public agencies to include a statement in their annual reports on
 - all expenditure incurred
 - the recipients of such expenditure
 in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.
2. Office expenditure during 2006-07 related to advertising for job vacancies, the conduct of agency and parliamentary surveys, the Office's contribution to the Australasian Council of Auditors General's (ACAG) macro benchmarking survey and focus group research for a performance examination. The details were as follows:

Advertising Agencies	\$21 621
Marketforce	\$21 621
Market Research Organisations	\$73 230
Orima Research	\$25 300
Govmetrica	\$20 263
Savant Surveys and Strategies	\$10 230
Price Consulting	\$17 437
Polling Organisations	\$0
Direct Mail Organisations	\$0
Media Advertising Organisations	\$0
TOTAL EXPENDITURE	\$94 851

The total in 2005-06 was \$54 624. Spending on advertising in that year was higher (\$30 199) but on market research it was lower (\$24 425).

The higher market research expenditure in 2006-07 was due to the decision of ACAG to review its annual macro benchmarking survey. This led to an expanded and more professional survey and reporting product. Participating members of ACAG contributed to the additional costs involved in the new survey format. The survey involves the collection of operational and productivity data from participating Australian audit offices.

The Office also contracted an independent consultant to conduct a whole of office staff satisfaction survey in November 2006, increasing our market research expenditure by \$17 437.



COLIN MURPHY
AUDITOR GENERAL
30 August 2007

Disclosures and Legal Compliance ... continued

STATEMENT OF COMPLIANCE WITH DISABILITY SERVICES ACT 1993 SECTION 29

The Office is currently developing its Disability Access and Inclusion Plan (DAIP). We are committed to providing optimum access and service to people with disabilities, their families and carers. The plan will include community consultation to ensure its six desired outcomes are met prior to registration with the Disability Services Commission. A copy of the DAIP has been placed on our internet site.

STATEMENT OF COMPLIANCE WITH EQUAL OPPORTUNITY ACT 1984, SECTION 146L

During the year our EEO Management Plan 2007-11 was registered with the Office of Equal Employment Opportunity. The key accomplishments include:

- the integration of EEO principles into policies and practices
- raising staff awareness of EEO principles
- providing flexible working arrangements to staff at all levels.

STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR MANAGEMENT ACT SECTION 31(1)

In compliance with this section I submit the following information:

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 the Office's Code of Conduct.
2. Nil applications were made for breaches of standards in 2006-07.
3. Significant action taken to monitor and ensure compliance for the reporting period were:
 - Information about the standard, the WA Code of Ethics and the Office's Code of Conduct is part of the Office's induction materials and on the Office's intranet.
 - Employees are required to review and acknowledge the Office's Code of Conduct annually
 - Publications from the Integrity Coordinating Group are distributed to staff.



COLIN MURPHY
AUDITOR GENERAL
30 August 2007

STATEMENT OF COMPLIANCE WITH STATE RECORDS ACT 2000, SECTION 61 AND STATE RECORDS COMMISSION STANDARDS, STANDARD 2, PRINCIPLE 6

As required by the *State Records Act 2000*, the Office has a Recordkeeping Plan (RKP) and this includes a commitment to review the plan periodically or when there is a significant change to the Office's functions.

The Office's RKP is due to be re-submitted to the State Record's Office in March 2008. All changes to the RKP are required to reflect that the *Auditor General Act 2006* will be part of that submission.

State Records Commission Standard 2, Principle 6, requires the Office to address the following requirements:

SRC Requirement	Office Response
Whether the efficiency and effectiveness of the Office's recordkeeping systems have been evaluated or alternatively when such an evaluation is proposed.	<p>The Office's main recordkeeping system is its Electronic Document Records Management System (EDRMS). An independent review of the EDRMS was conducted in December 2006 and the report is being used for internal follow-up including planning for the next EDRMS upgrade.</p> <p>The main efficiency and effectiveness measure for recordkeeping is the number of staff using EDRMS according to EDMRS' access logs. The results are reported monthly to management and regularly show that more than 80 per cent of staff use the EDRMS. As the need to use the EDRMS varies significantly between staff and over time, this usage rate is considered acceptable.</p>
The nature and extent of the Office's recordkeeping training program.	<p>The goal of the Office's program is to ensure staff have the competencies they require to carry out their work.</p> <p>The Office's induction manual includes a section on compliance with the Office's RKP and the induction program for all new staff includes a session on recordkeeping roles and responsibilities and the basics of EDRMS.</p> <p>Ongoing training is conducted by recordkeeping staff on a one-on-one basis as needed by individual users.</p>
Whether the efficiency and effectiveness of the recordkeeping training program has been reviewed or alternatively when this is planned to be done.	<p>The recordkeeping training program was part of the independent review conducted in December 2006. In response to the report, changes were made to the training program competencies with the intention of incorporating them into all relevant training programs.</p>
Assurance that the agency's induction program addresses employee roles and responsibilities in regard to their compliance with the Office's RKP.	<p>The assurance is provided based on the above assertions.</p>

Table 9

Disclosures and Legal Compliance ... continued

Government and Auditor General Policy Requirements

CORRUPTION PREVENTION

Maintenance of high professional and personal standards of conduct is sought through annual declarations and compliance with the Office's Code of Conduct, the Western Australian Public Sector Code of Ethics and all relevant legislation. This information is provided at induction, annual updates and via the intranet.

SUBSTANTIVE EQUALITY

The Office is committed to equality of opportunity and the right to be treated fairly and with respect. The current EEO Management Plan includes an initiative to ensure services are accessible to all Western Australians and respond to the different needs of the State's diverse community. When selecting approaches and frameworks for conducting examinations and audits, substantive equality may be taken into account for appropriate service areas.

SUSTAINABILITY

By virtue of its mandate the Office has a role in reviewing compliance and assessing efficiency and effectiveness of outcomes of government initiatives relating to sustainability.

This was particularly relevant to the review of the Ramsar Wetlands. In this instance the Office was able to capitalise on the experience in environmental and sustainability issues of an officer on exchange from the Canadian Auditor General's Office and the experience gained in Canada by a member of the Office's Compliance and Information's Systems Division. The experience gained from this exchange has also enabled advice and training on sustainability topics and methodologies.

ENQUIRIES AND COMPLAINTS

The Office values the information it receives from the public which can be either in the form of a complaint about service delivery or a request for information. A comprehensive complaints management system exists and the Office uses this to ensure timely feedback.

Complaints and enquiries are also rich sources of information to inform future topic selection and attest functions.

Table 10 provides an overview of trends in enquiries and complaints received and actions taken, noting that over 20 per cent are referred to another agency due to the issues raised being outside the mandate of the Office. Given increased enquiries from Members of Parliament and or parliamentary committees a new category has been included for 2006-07.

Key Points:

- The increase in 2006-07 is largely due to increased requests for audits or information from Members of Parliament and or parliamentary committees.
- Volume remains relatively high and indicates an ongoing interest from the public and other stakeholders in public service activities.
- Approximately 10 per cent of enquiries or complaints received over the past two years have resulted in special investigations. To date none of these investigations has resulted in a report to Parliament.

Themes of enquiries and complaints between 2005-06 and 2006-07 relate to:

- agency financial management
- contracting out of services
- fees and charges
- health service administration and provision of services
- local government issues (outside the mandate of the Office)
- public sector boards

Enquiries and Complaints Received	2003-04	2004-05	2005-06	2006-07
Public	169	95	102	103
Members of Parliament	16	3	8	12
Parliamentary committees				28
Total	185	98	110	143
Hours	908	203	545	588
Actions Taken				
Considered by the Office in planning annual attest audits			15	13
Referred to another accountability agency			22	21
Resulting in Special Investigations by the Office			10	8
Total			47	42

Table 10

PUBLIC INTEREST DISCLOSURES

The Office also receives Public Interest Disclosures (PIDs). Management of these disclosures is governed by the *Public Interest Disclosure Act 2003* (PID Act).

The Office of the Auditor General is one of a number of accountability agencies which has public sector wide responsibilities under the Act and as such the Auditor General has a special role in the handling of such disclosures.

Key Executive members are authorised PID Officers and have received appropriate training to manage these disclosures effectively.

Table 11 provides an overview of PIDs received since 2003-04.

Key points:

- To date no PIDs investigations have resulted in a report to Parliament.
- PIDs provide a rich source of information to inform opportunities for improvement of agency internal controls. Where this is identified these matters are raised directly with the agency concerned.
- There have been no discernable trends in themes from registered PIDs.

PIDs Registered	2003-04	2004-05	2005-06	2006-07
By year	4	1	4	1
Total to 30 June	4	5	9	10

Table 11

Disclosures and Legal Compliance ... continued

NAME, METHOD AND TERM OF APPOINTMENT OF ACCOUNTABLE AUTHORITY

The appointment of the Auditor General (accountable officer) is governed by the AG Act 2006. This new Act prescribes the appointment process and tenure which includes consultation with Parliament and a strictly limited tenure.

Mr Colin Murphy was appointed Auditor General on 6 June 2007. As prescribed by the Act his appointment will end 5 June 2017.

EXERCISE OF POWERS CONFERRED BY AUDITOR GENERAL ACT 2006

The AG Act and the FM Act conferred several new powers and duties on the Auditor General. The following table provides information on their use in 2006-07.

Auditor General Act 2006	Comment
AG to have regard to audit priorities of Parliament as determined by either House, the Public Accounts Committee or the Estimates and Financial Operations Committee (s8).	Audit priorities are regularly discussed with parliamentary committees.
AG may dispense with all or any part of an audit of the accounts of an agency (s14(2)).	The AG did not dispense with any audits.
AG may audit the accounts of 'related entities' (s17).	There was no need to audit 'related entities' in 2006-07.
AG may audit any accounts that the Treasurer requests the AG to audit (s19).	Nil requests received.
AG may carry out any audit that the Public Accounts Committee or the Estimates and Financial Operations Committee requests the AG to carry out (s20).	The Estimates and Financial Operations Committee requested an audit, which was conducted. The AG reported the results to the Committee. The audit will be included in a future report to Parliament.
AG to include in a report to Parliament an opinion as to whether a decision not to provide information to Parliament concerning any conduct or operations of an agency is reasonable and appropriate (s24).	No opinions issued in 2006-07.

Table 12

Reports to Parliament 2006-2007

Appendix 1

During 2006-07 the Office tabled a total of 12 reports:

- Annual Report
- four Performance Examinations reports
- four Public Sector Performance reports
- one Controls, Compliance and Accountability Examinations report
- two Audit Results reports.

The reports had a wide readership beyond Parliament and the public sector, with requests being received from individuals, libraries and private sector organisations from across Australia. In addition, all reports are regularly accessed from the Office's website at www.audit.wa.gov.au.

The 2006-07 reports tabled were as follows:

- **Second Public Sector Performance Report** (Report 8, 30 August 2006)
 - Western Power Senior Executive Payouts
 - Informing the Public: Providing Information on the Timeliness of Services
 - Setting Fees – Extent of Cost Recovery – Follow-up
- **Management of Ramsar Wetlands in Western Australia** (Report 9, 13 September 2006)
- **Audit Results Report by Ministerial Portfolios at 16 October 2006** (Report 10, 25 October 2006)
- **Room to Move: Improving the Cost Efficiency of Government Office Space** (Report 11, 22 November 2006)
- **Having Your Say: Public Participation in Government Decision-Making** (Report 1, 28 February 2007)
- **Public Sector Performance Report 2007** (Report 2, 28 March 2007)
 - Arrangement for Managing the Performance of Chief Executive Officers
 - Prompt Payment by Government
 - Management of Consumer Protection Investigations
- **Second Public Sector Performance Report 2007** (Report 3, 4 April 2007)
 - Major Information and Communications Technology Projects – Performance Examination
 - Security of Wireless Local Area Networks in Government
- **Audit Results Report – Universities and TAFE Colleges – Other audits completed since 16 October 2006 – Legislative Changes and Audit Practice Statement 2007** (Report 4, 4 April 2007)
- **Shared Services Reform: A Work in Progress** (Report 5, 13 June 2007)
- **A Helping Hand: Home-based Services in Western Australia** (Report 6, 20 June 2007)
- **Third Public Sector Performance Report 2007** (Report 7, 27 June 2007)
 - Management of Land Tax and Metropolitan Region Improvement Tax
 - Legal Aid in Western Australia
 - The Administration of Grants

Audit Clients

Audits under Financial Management Act

DEPARTMENTS

Administration of the Legislative Assembly
 Administration of the Legislative Council
 Commissioner for Equal Opportunity
 *Department for Community Development
 *Department for Planning and Infrastructure
 *Department of Agriculture and Food
 *Department of Attorney General
 *Department of Consumer and Employment Protection
 *Department of Corrective Services
 *Department of Culture and the Arts
 *Department of Education and Training
 Department of Education Services
 *Department of Environment and Conservation
 *Department of Fisheries
 *Department of Health
 *Department of Housing and Works
 *Department of Indigenous Affairs
 *Department of Industry and Resources
 *Department of Land Information (Final Audit to 31/12/06)
 Department of Local Government and Regional Development
 Department of Parliamentary Services
 *Department of Racing, Gaming and Liquor
 Department of Sport and Recreation
 *Department of the Premier and Cabinet
 Department of the Registrar, Western Australian Industrial Relations Commission
 *Department of Treasury and Finance
 Department of Water
 Governor's Establishment
 Office of Energy
 Office of Shared Services (Final Audit to 31/12/06)
 Office of the Director of Public Prosecutions
 Office of the Information Commissioner

Office of the Inspector of Custodial Services
 Office of the Public Sector Standards Commissioner
 Parliamentary Commissioner for Administrative Investigations
 *Western Australian Police Service
 Western Australian Electoral Commission

STATUTORY AUTHORITIES AND CORPORATIONS

Agricultural Practices Board of Western Australia
 Agricultural Produce Commission
 Animal Resources Authority
 Armadale Redevelopment Authority
 Botanic Gardens and Parks Authority
 Building and Construction Industry Training Board
 Bunbury Water Board
 Busselton Water Board
 *Central TAFE
 Central West TAFE
 *Challenger TAFE
 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
 Curriculum Council
 *Curtin University of Technology
 C Y O'Connor College of TAFE
 *Disability Services Commission
 East Perth Redevelopment Authority
 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 TAFE

Heritage Council of Western Australia
 *Housing Authority
 Independent Market Operator
 *Insurance Commission of Western Australia
 Keep Australia Beautiful Council (WA)
 Kimberley TAFE
 Kimberley Development Commission
 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
 Midland Redevelopment Authority
 Mid West Development Commission
 Minerals and Energy Research Institute of Western Australia
 *Murdoch University
 Office of Health Review
 Parliamentary Inspector of the Corruption and Crime Commission
 Peel Development Commission
 Peel Health Services
 Perth International Centre for Application of Solar Energy (Final Audit to 30/10/06)
 Perth Market Authority
 Perth Theatre Trust
 Pilbara Development Commission
 Pilbara TAFE
 Potato Marketing Corporation of Western Australia
 Professional Combat Sports Commission
 Professional Standards Council
 *Public Transport Authority of Western Australia
 *Public Trustee
 Quadriplegic Centre Board
 *Racing and Wagering Western Australia
 Racing Penalties Appeal Tribunal of Western Australia
 Real Estate and Business Agents Supervisory Board
 *Rottnest Island Authority

Appendix 2

Rural Business Development Corporation
 Screen West (Inc.)
 Settlement Agents Supervisory Board
 Small Business Development Corporation
 South West Development Commission
 South West Regional College of TAFE
 State Government Insurance Corporation
 State Supply Commission
 Subiaco Redevelopment Authority
 Swan Bells Foundation Inc
 Swan River Trust
 *Swan TAFE
 The Aboriginal Affairs Planning Authority
 The Agriculture Protection Board of Western Australia
 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 Eastern Goldfields Transport Board
 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
 Water and Rivers Commission (Final)
 West Coast TAFE
 Western Australian Alcohol and Drug Authority
 Western Australian Building Management Authority
 Western Australian Coastal Shipping Commission
 Western Australian Gas 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
 Homeswest Loan Scheme Trust
 Keystart Bonds Limited
 *Keystart Housing Scheme Trust
 Keystart Loans Limited
 Keystart Support (Subsidiary) Pty Ltd
 Keystart Support Pty Ltd
 Keystart Support Trust
 MS Biotechnology Pty Ltd (Dormant)
 Murdoch ILO Pty Ltd
 Murdoch Investments Company Pty Ltd
 Murdoch Link Pty Ltd
 Murdoch University Foundation
 Murdoch University Veterinary Centre Trust
 Murdoch Ventures Pty Ltd (Dormant)
 Murdoch Retirement Services Ltd
 Tarolinta Pty Ltd
 The University Club of Western Australia Pty Ltd
 The University Company Pty Ltd (Dormant)
 UWA Business School Executive Program Ltd
 WA Mint Pty Ltd (dormant)
 Wind Energy Corporation Pty Ltd

REQUEST AUDITS

Aberdeen Unit Trust
 Foundation for Advanced Medical Research Inc
 Friends of the WCHS Inc
 Government House Foundation of Western Australia (Inc)
 Ngala Inc

SB Investment Trust
 South West Cogeneration Joint Venture
 Tertiary Institutions Service Centre (Inc)
 The Director of Legal Aid and Others in Trust

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
 *Synergy
 *Verve Energy
 *Water Corporation
 *Western Australian Land Authority
 *Western Power – Networks

* Major audit clients

Glossary of Terms

Appendix 3

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 revenues 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 accounting period.

Agency means a department, a sub-department or a statutory authority.

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 budget year and outlines material differences between these results and the financial projections contained in the State Budget for that budget year.

Attest Audit is work performed to enable an opinion to be expressed regarding a report about financial or performance matters prepared by the party who is accountable for the financial transactions or the performance summary.

Audit includes to examine, investigate, inspect and review.

Auditor General's Report is the vehicle used to report to the 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).

Controls, Compliance and Accountability Examinations (CCAs)

focus on financial administration and management issues with the objective of identifying opportunities for improving agencies' operational performance, accountability, use of resources and compliance with legislation.

Corporatised Entities operate under enabling legislation in a similar manner to companies under the *Corporations Act 2001*.

Department means a body established or deemed to have been established under the *Public Sector Management Act 1994*.

Direct Reporting 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 or preparing the report.

Effectiveness Indicators are 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 performance indicators that generally relate services to the level of resource inputs required to deliver them.

Entrance Interviews are formal meetings with senior management conducted during the audit planning phase to provide the opportunity to canvass with agency management issues of importance and to explore the proposed audit emphasis and areas of coverage.

Exit Interviews are formal meetings with senior agency management at the penultimate stage of audits and examinations to confirm understandings and to explain audit findings and conclusions.

Financial Statements are a presentation 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.

Follow-up Examination Performance Examinations may be followed up two to three years after tabling

to review what has been done. A **Follow-on Examination** is a more extensive follow-up examination where a topic still has significant importance and relevance.

Integrity Coordinating Group comprises the Commissioner for Public Sector Standards, the Corruption and Crime Commissioner, the State Ombudsman and the Auditor General. Members collaborate to promote and strengthen integrity in the WA public sector.

Management Letter is a letter to senior management that conveys the significant audit findings and result of an audit.

Materiality is the magnitude of an omission or misstatement of accounting or performance information that, in the light of context or circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced.

Matters of Significance are the 'key messages' in OAG 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.

Outcomes are the effect, impact, result on or consequence for the community, environment or target clients of government services.

Performance Auditing encompasses the range of audit and review activities from annual attest audit work on financial statements and performance indicators through to the preparation of direct reports on performance examinations.

Performance Examination (PE) is work performed in examining the accountability, efficiency and effectiveness of public sector agencies or specific areas within an agency or across a number of government agencies.

Performance Indicator (PI) is information about service performance or outcome achievement.

Performance Indicator Audit is work performed to enable an opinion to be expressed about whether or not the indicators

are relevant and appropriate having regard to their purpose, and fairly represent indicated performance.

Qualified Audit Opinion is expressed when the audit identified that the financial statements or performance indicators are likely to be misleading to users, controls were inadequate, there was material conflict between applicable financial reporting frameworks or an unavoidable limitation on audit work.

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.

Significant Variations are considered to be those greater than 10 per cent or \$250 000.

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 financial administration that have the force of law and must be observed by public sector agencies under the *Financial Management Act 2006*.

Unqualified Audit Opinion is expressed when the audit concludes that in all material respects the financial statements and performance indicators are presented fairly in accordance with the enabling legislation of the agency, Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions.

Working Papers are documents that record the auditor's planning, audit procedures performed, the auditor's findings and the conclusions drawn from the audit evidence obtained.

Office Directory (at 30 August 2007)

Appendix 4

AUDITOR GENERAL'S OFFICE

Colin Murphy	9222 7501
Auditor General	
Peta Mullane	9222 7502
Executive Officer	
John Doyle	9222 7544
Deputy Auditor General	
Molly Elymos	9222 7506
Executive Assistant	

ASSURANCE SERVICE DIVISION

Vacant	
Assistant Auditor General	
Peter Sparkes	9222 3906
Group Director	
Don Cunninghame	9222 7526
Group Director	
Ian Goldsmith	9222 7559
Group Director	
Vince Turco	9222 7515
Director	
Glenn Joseph	9222 3959
Director	

**COMPLIANCE AND INFORMATION
SYSTEMS AUDIT DIVISION**

Glen Clarke	9222 7543
Assistant Auditor General	
Colin Campbell	9222 3937
Director, Compliance	
Peter Bouhlas	9222 7522
Director, Information Systems	

PERFORMANCE REVIEW DIVISION

Peter Wilkins	9222 7588
Assistant Auditor General	
Kim Lazenby	9222 7595
Director	
Jason Beeley	9222 7579
Director	
Helen Liedel	9222 3948
Director	
Rod Berg	9222 7591
Principal Adviser Performance Indicator Standards	

STANDARDS AND QUALITY DIVISION

Paul Jost	9222 7514
Director	
Barry Rowe	9222 7503
Director Standards	

**STRATEGY, POLICY AND INNOVATION
DIVISION**

Sandy Thomson	9222 7557
Assistant Auditor General	
Thelma Fermo	9222 7504
Executive Assistant	
Vacant	
Manager, Communications	
Lesley Shi	9222 7590
Manager, Finance and Administrative Resources	
Nigel Pay	9222 7572
Manager, Human Resources	
Vince Partridge	9222 7508
Manager, Information Resources	
Marie Gizzarone	9222 7571
Acting Manager, Planning and Coordination	
Mandy Murray	9222 7564
Manager, Professional Development	

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Office of the Auditor General for Western Australia

4th Floor, Dumas House

2 Havelock Street

WEST PERTH WA 6005

Telephone: 9222 7500

Fax: 9322 5644

Email: info@audit.wa.gov.au

Website: www.audit.wa.gov.au

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