



Annual Report 2008



Serving the Public Interest

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Our Purpose

Serving the Public Interest.

Our Mission

To serve the public interest by providing Parliament with independent and impartial information regarding public sector accountability and performance.

Our Ethos

Independence exercised with integrity and objectivity is the foundation upon which all operations and professional relationships are built. Our ethos is that we seek to be recognised as: Independent, Credible and Innovative.

Hence we are determined that in achieving our purpose as an organisation and as individuals we will always act in a way that values:

- ✓ **Integrity** – we will conduct our business in a professional, ethical and objective manner and take an open, honest and fair approach to our external and internal stakeholders.
- ✓ **Quality** – we will improve the performance of the Office and the public sector by working together to do the right thing well and at the right time.
- ✓ **People** – we will respect and value the contribution of our people and encourage a cooperative approach to how things get done.

Our Office is committed to the highest standards of corporate governance – managing our resources, managing our people and managing our relationships as befits a leader in the public sector.

Corporate Focus 2007-08

During 2007-08 we served the public interest by:

- ✓ producing value added **parliamentary reports** of our performance and control compliance examinations
- ✓ delivering timely agency **audit opinions** to the Parliament
- ✓ handling complaints and conducting **special investigations** about the public sector in an objective and ethical manner
- ✓ **managing our Office** to deliver our services effectively and efficiently
- ✓ careful **financial management** and monitoring of our approved annual budget.

What we do

The Auditor General

The Auditor General is an appropriately qualified, independent, statutory officer appointed by the Governor under the *Auditor General Act 2006* (AG Act) for a non-renewable term of ten years.

He is the Accountable Authority and Chief Executive Officer of the Office of the Auditor General (OAG), a department of the public service of the State under the *Public Sector Management Act 1994*.

As the Accountable Authority, the Auditor General must discharge responsibilities under the *Financial Management Act 2006*. As Chief Executive Officer, the Auditor General is also responsible for a range of staffing functions under the *Public Sector Management Act 1994*.

Role

The Auditor General scrutinises the public sector to ensure there is proper accountability of taxpayers' resources and that the resources are not wasted – rather, that they are used efficiently and effectively to benefit all Western Australians.

Accordingly, the Auditor General is an 'ally of the People and Parliament'. He must act, and be seen to be acting, independently in carrying out all his powers and duties.

This independence is the cornerstone of public sector audit, and therefore to properly discharge his responsibilities the Auditor General must be free from pressure, influence or interference from any source that may erode that independence.

Responsibilities

The Auditor General is responsible for:

- auditing the Annual Report on State Finances
- conducting financial statement audits for 211 public sector organisations including government departments, statutory authorities, government corporations, educational institutions and other bodies
- undertaking wide ranging performance examinations to ensure there are adequate controls within agencies; compliance with the relevant legislation; and, most importantly, efficiency, effectiveness and economy of agency operations or programs
- reporting the results of audits to Parliament in an objective, competent, insightful and timely manner.

Operating Environment

The agencies we audit provide a range of services to the citizens of Western Australia. They:



- receive approximately \$25 billion in revenue
- incur approximately \$23 billion in expenses
- hold over \$109 billion in assets
- employ about 105 544 people.

Available Resources

At 30 June 2008 we:

- had 93 in-house staff (129 at 30 June 2007)
- engaged 15 audit service providers (14 during 2006-07)
- received \$16 641 000 in funding from Parliament (\$15 389 000 in 2006-07).

Transmittal Letter and Statement of Compliance

 Western Australia		office of the auditor general	
		4th Floor Sturtin House 2 Harebark Street West Perth 6005 Western Australia Tel: (08) 9222 7600 Fax: (08) 9222 5984 Email: info@oag.wa.gov.au Serving the Public Interest	
THE PRESIDENT LEGISLATIVE COUNCIL		THE SPEAKER LEGISLATIVE ASSEMBLY	
ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2008			
In accordance with section 63, as modified by Schedule 3, of the <i>Financial Management Act 2006</i> , I hereby submit to Parliament for its information the Annual Report of the Office of the Auditor General for the year ended 30 June 2008.			
The annual report as been prepared in accordance with the provisions of the <i>Financial Management Act 2006</i> and the <i>Auditor General Act 2006</i> .			
			
COLIN MURPHY AUDITOR GENERAL 29 August 2008			

What we achieved in 2007-08

Performance Examinations

- ✓ Tabled four performance examinations in Parliament.
- ✓ Tabled three Public Sector Performance Reports containing the results of eight compliance and controls examinations.
- ✓ Achieved a 90 per cent satisfaction rating from Members of Parliament surveyed about our reports and services.

Financial Audits

- ✓ Tabled two Financial Audit Results reports, including the details of audit opinions and systemic control weaknesses.
- ✓ Issued 211 audit opinions for the financial statements, controls and, where applicable, the performance indicators of:
 - ✓ 35 government departments
 - ✓ 107 statutory authorities and 15 corporatised entities
 - ✓ four universities, 12 subsidiaries and 10 TAFE colleges in the education sector
 - ✓ nine requests, 11 subsidiaries and seven cemetery boards
 - ✓ the Annual Report on State Finances.
- ✓ Issued all but one audit opinion in time to enable Ministers to meet the *Financial Management Act 2006* 90 day annual reporting requirement.

Special Investigations and Complaints

- ✓ Completed four special investigations (one from the public, one from a MP and two from parliamentary committees). The results of two of these investigations were included in a Public Sector Performance Report to Parliament.
- ✓ Registered and completed one public interest disclosure investigation.
- ✓ Responded to 77 complaints or enquiries about the public sector from members of the public.
- ✓ Responded to 10 complaints or enquiries from Members of Parliament, relating to 10 government departments or agencies.

Managing Our Office

- ✓ Continued to survey staff satisfaction and progressed initiatives relating to the 2006-07 survey.
- ✓ Continued to respond to attrition of audit staff and a highly competitive labour market in financial services by implementing a range of attraction and retention measures.
- ✓ Progressively developed our staff training and development program, including further enhancement of the graduate program, targeted training of technical skills, leadership and leadership management programs, communication skills training and Plain English workshops.
- ✓ Implemented a new practice management system.
- ✓ Implemented new internal self assessment processes.
- ✓ Introduced a new corporate identity for the Office.

Financial Management

- ✓ Our net financial result for the year was a surplus of \$274 000 (2006-07: Deficit \$145 000).
- ✓ Financial Audit fee income for the year was \$12 695 000 (2006-07: \$11 772 000).

Financial Summary	2006-07 \$000	2007-08 \$000	Change \$000
Operating revenue	15 509	16 675	1 166
Operating expenses	15 654	16 401	747
Total assets	3 176	4 176	1 000
Total liabilities	2 237	2 855	618
Surplus	(145)	274	419
Net equity	939	1 321	382

Table 1

Auditor General's Overview



2007-08 has seen strong achievement against a backdrop of significant resourcing challenges...

Introduction

I take great pleasure in presenting to Parliament my second annual report for the Office of the Auditor General. The past financial year has seen strong achievement against a backdrop of significant resourcing challenges and an ever changing public sector.

At the beginning of the financial year we set ourselves a number of targets in terms of our output and efficiency. We have come close to achieving our goals and details of our performance are outlined further in this report.

It has been a challenging year for the Office. A tighter labour market for audit and finance professionals across Australia, the shift to Shared Services and the changes to both Australian Auditing Standards and Accounting Standards have all had a knock on effect on the Office and increased pressure on the way we conduct our business. Despite this, the year has concluded with pleasing results.

Performance Examinations

A key role of my Office is to conduct comprehensive performance and compliance examinations of government activities to ensure they are both efficient and effective.

These examinations are not about reporting for reporting's sake. Rather, they are about delivering reports to Parliament that identify matters of significance and make recommendations that will improve public sector performance. In many instances these reports send a message to the whole sector, in that the lessons to be learnt are not just relevant to the audited agency or agencies but can be applied to all.

This year we set ourselves the target to table the reports of 18 examinations in Parliament. Unfortunately, this target was not achieved, with only 16 tabled (although a further two are near completion).

Our reports should be useful to Parliament and to all agencies and because of this my staff are continually refining their skills and finding ways to value add to the process. This year we have introduced a number of strategies, including new formats and critical self assessment reviews, to ensure that we continuously improve in this area.

We have also had very pleasing feedback from the Plain English Foundation which benchmarked us against agencies from around the world. Nine out of 11 reports examined were rated as world's best practice or just short of world's best practice. The improvement in this area has been most pleasing and is critical if we want our reports to be widely read and understood.

Feedback from agencies and the Public Accounts Committee continues to be positive with some agencies undertaking significant effort to implement our recommendations for change.

Our topic selection in the year ahead will continue to focus on areas where there is risk or opportunity. In doing so, our Office resources will be directed into areas where they can continue to make a significant difference.

Financial Audits

Our annual audit of all financial statements, performance indicators and related legislative controls ensures greater agency accountability in the use of public resources. We recognise the cost of these audits to agencies and endeavour to add value through our management letters and continuous engagement with the agencies.

This year my Office was 99 per cent successful in completing the audits of agency financial statements and performance indicators in time for Ministers to meet the 90 day tabling deadline for agencies' annual reports. In total, 211 audit opinions were issued. Five agencies received a qualified opinion.

In terms of management issues, 117 of the 151 agencies audited on controls had significant and/or moderate financial management control weaknesses brought to their attention. Additionally, 47 of the 55 agencies that were subject to information system audits were made aware of significant and/or moderate information control weaknesses.

It was disappointing to note that many agencies had information system control weaknesses that were also identified in last year's audit. More than one-third of last year's findings had been carried forward from the year before. This situation highlights the ongoing concern that agencies often do not understand or place sufficient importance on the vulnerabilities and threats to their systems. This year we will again follow-up on these issues.

Special Investigations and Complaints

Due to our independent status, the Office plays an important role in providing members of the public and parliamentarians with an independent approach to the investigation of contentious matters.

Each year we receive numerous complaints and requests for special investigations. They provide us with a valuable source of advice and information and we value these enormously. All issues are considered and, where appropriate, are investigated. Some may provide the basis for a performance examination or compliance audit.

This year we completed four special investigations, plus a public interest disclosure (PID). We responded to 77 complaints or enquiries about the public sector from members of the public – eight of which required some investigation. We also responded to 10 complaints or enquiries from Members of Parliament, relating to 10 government departments or agencies.

I view the complaints that we receive and the requests for special investigations as a critical source of information to my Office and I continue to welcome this feedback.

Managing Our Office

We have experienced some change in senior personnel this year. At 30 June 2008 we had a number of senior level vacancies. Some have been filled but others remain vacant, although the process to fill them is now underway.

In a tight labour market, recruitment of quality staff remains a key issue for all organisations. We are no different and have responded to increased staff attrition and a highly competitive labour market by implementing a range of attraction and retention measures.

One particular aspect of staff retention has been the introduction of our new performance management program – GROWTH. This process has been designed to provide all employees with a robust feedback mechanism and a skill development plan that is aligned with the Department of the Premier and Cabinet's leadership capability model. This process will eventually be linked to career progression.

Financial Management

In terms of financial management, this year has been particularly challenging. The changes to auditing and accounting standards, along with the widely noted shortages of skilled labour, have affected both the private and public sectors. This, in turn, has had a significant impact on the financial circumstances of this Office. An additional \$2 million in funding was sought and obtained and as a result we were able to finish the year within budget. However, this has required close monitoring and strong financial management. There are widespread implications from rising costs going forward and I will be monitoring the situation closely throughout 2008-09.

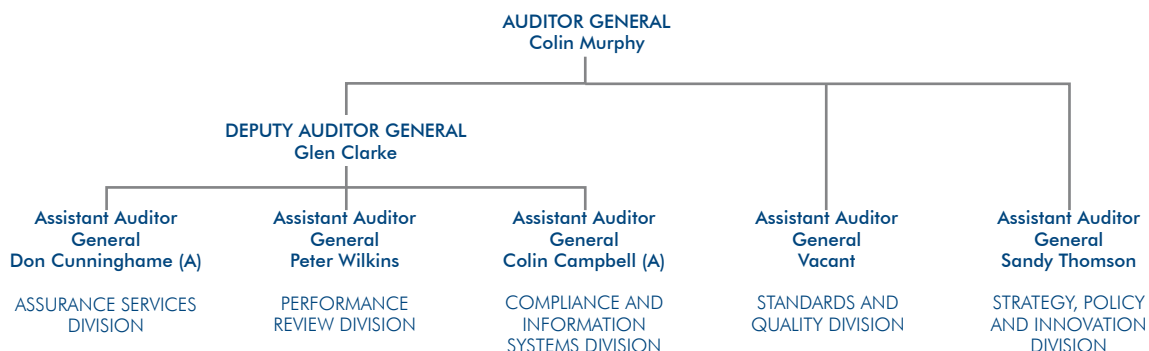
Acknowledgements

In closing, I acknowledge the work of my dedicated and skilled people and the executive team who lead them. Their commitment and passion for their work is greatly valued and appreciated, as is the goodwill and camaraderie they display as they go about their roles.

I also recognise the close working relationship we have with the Public Accounts Committee, the Estimates and Financial Operations Committee and my colleagues from other accountability organisations who make up the Integrity Coordinating Group. These relationships are highly valued. Finally, I thank the Parliament of Western Australia for its continued support.

Operational Structure

Organisational Chart (at 30 June 2008)



Senior Officers



COLIN MURPHY – B Comm, FCPA. Prior to being appointed as Auditor General, Colin acted as Under Treasurer, Director General for the Department of Justice and Director General for the Department of the Attorney General. Colin has extensive experience in finance and administration in both State and Commonwealth government roles. He is a Fellow, former board member and past State President of CPA Australia.



GLEN CLARKE – B Bus, CPA. As Deputy Auditor General Glen's responsibility covers the three operational audit divisions of the Office. Glen is also a board member of Bizlink, a not-for-profit organisation that assists people with disabilities to obtain open employment.



COLIN CAMPBELL – BSc Ag Econ, MSc NRM. Colin has a Bachelor of Science in Agricultural Economics and a Masters Degree in Natural Resource Management. Colin worked as a Natural Resource Economist before joining the Office in 2002.



DON CUNNINGHAME – BCom, FCPA, CISA. Don is a Fellow of CPA Australia and a Certified Information Systems Auditor. He has experience in finance, internal and external audit including information systems auditing in the private and public sectors, internationally and in Australia.



PAUL JOST – Bachelor of Business (Accounting) FCPA. Paul is a Fellow of CPA Australia who has extensive experience and expertise in external auditing public sector agencies and their subsidiaries. Paul is currently the Director of Quality and Standards and a member of the Corporate Executive.



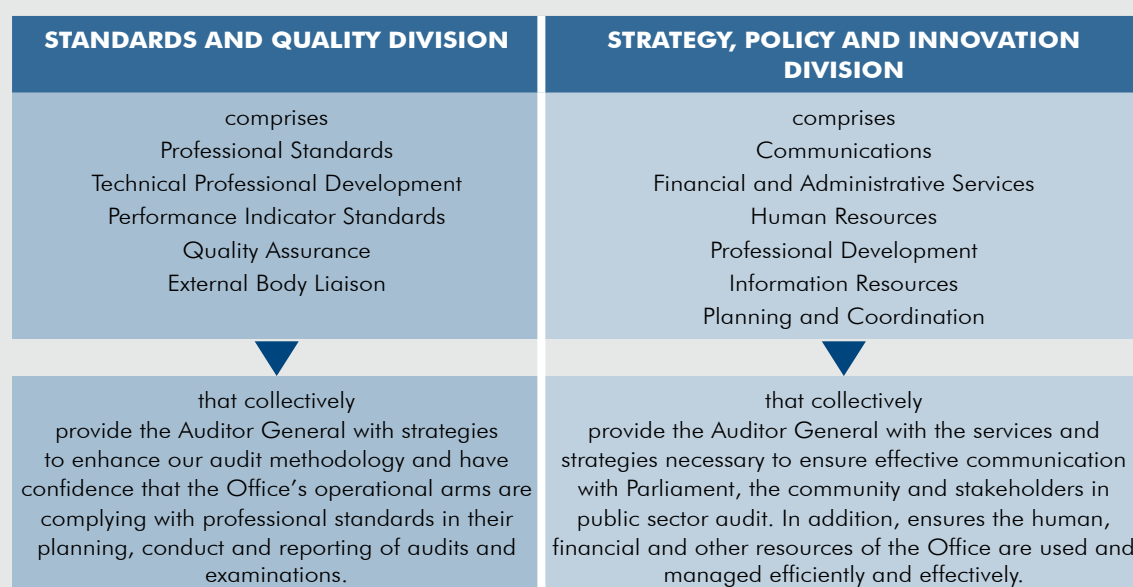
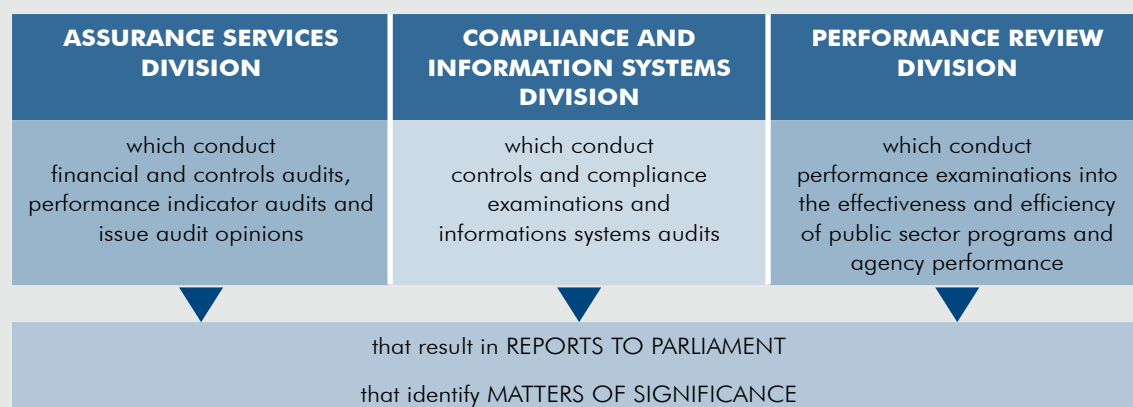
PETER WILKINS – PhD, MIPAA. Peter has diverse work experience in Australia and internationally, including roles as an engineer, Research Fellow, consultant and Adjunct Professor. He has extensive practical and research experience regarding accountability, public sector performance reporting and assessment.



SANDY THOMSON – FAAQHC, AFCHSE, MHSM Dip Hosp Admin. Sandy has diverse and extensive experience in corporate management, particularly in the public health sector. She was previously Director of Accreditation WA Country Health Service. Sandy has a Masters in Health Services Management.

Operating Structure

The Office has five divisions, three providing audit services and two providing support, as follows:



Summary of Divisional Operations

Division	Key Accountabilities
ASSURANCE SERVICES DIVISION Objective: To report to Parliament on the results of financial statement, controls and performance indicator audits of government entities.	<ul style="list-style-type: none"> ✓ Audits the annual financial statements, controls and performance indicators of departments, statutory authorities and corporatised entities and prepares related audit opinions. ✓ Audits the Annual Report on State Finances. ✓ Produces reports for tabling in Parliament that include significant matters arising from the audits of financial statements, controls and performance indicators. ✓ Provides advice to agencies on financial and performance reporting including the application of the <i>Financial Management Act 2006</i>, Treasurer's Instructions and accounting standards. ✓ Audits financial and statistical information produced by departments and statutory authorities to assist them to discharge conditions of Commonwealth funding agreements, grants and other legislation. ✓ Liaises with Department of Treasury and Finance on financial reporting issues and changes to legislative compliance requirements.
COMPLIANCE AND INFORMATION SYSTEMS DIVISION Objective: To provide key information to Parliament about regulatory, financial and administrative compliance and performance of agencies.	<ul style="list-style-type: none"> ✓ Produces reports to Parliament detailing the results of control, compliance and accountability (CCA) examinations undertaken across the public sector. ✓ Produces technical advice to agencies arising from information systems audits. ✓ Provides advice to public sector agencies including central agencies. ✓ Undertakes public interest disclosure (PID) investigations. ✓ Provides advice to the Auditor General on areas of public sector operations that may warrant examination.
PERFORMANCE REVIEW DIVISION Objective: To provide key information to Parliament about the results of efficiency and effectiveness examinations of public sector agencies and programs.	<ul style="list-style-type: none"> ✓ Produces reports to Parliament detailing the results of performance examinations undertaken across the WA public sector. ✓ Provides briefings and advice to Parliament, executive government and agencies on the reports. ✓ Liaises with agencies, academic and community groups to enhance understanding of performance and accountability issues. ✓ Provides advice to the Auditor General on areas of public sector operations that may warrant examination.
STANDARDS AND QUALITY DIVISION Objective: To provide the Auditor General with confidence that the operational divisions of the Office are complying with internal and professional standards. In addition, develop strategies to enhance audit methodology.	<ul style="list-style-type: none"> ✓ Reviews audit files and working papers to provide assurance that audits and examinations have been conducted in accordance with Office and professional standards. ✓ Coordinates advice to agencies on performance and accountability issues. ✓ Provides technical advice to staff and public sector agencies in relation to financial reporting. ✓ Liaises with the Department of Treasury and Finance on financial reporting issues, changes to legislation affecting financial and compliance requirements and key performance indicator (KPI) reporting. ✓ Provides advice and information to the Auditor General on strategic, policy and technical issues affecting the audit operations of the Office.
STRATEGY, POLICY AND INNOVATION DIVISION Objective: To contribute to building and maintaining a leading edge audit office by providing efficient and effective corporate support service.	<ul style="list-style-type: none"> ✓ Manages strategic issues, relationships and innovation in the Office and coordinates internal planning, review and reporting cycles. ✓ Reviews projects and reports to Parliament to ensure content is aligned with the priorities of the Auditor General and that all relevant risks are managed. ✓ Undertakes the coordination and in-house production of reports to Parliament, and their distribution to key client groups. ✓ Ensures that the human, information, financial and other resources of the Office are used efficiently to provide services responsive to the needs of all stakeholders.

Key Outputs

- ✓ 211 financial statement and 156 performance indicator audits completed.
- ✓ Two reports tabled in Parliament.
- ✓ 37 certifications issued to assist agencies to meet funding conditions.
- ✓ Managed Information System assessments at 19 sites.

Key Outcomes

- ✓ Members of Parliament and agency management are able to make more measured, timely and appropriate decisions due to receiving quality information and audit opinions on the financial statement, controls and performance indicator audits within 90 days of each agency's financial year end.
- ✓ Audits of all but one agency with 30 June, 31 July and 31 December balance dates were completed in time for Ministers to meet the 90 day tabling deadline for agencies' annual reports.

- ✓ 10 CCA examinations reported to Parliament, covering 43 agencies.
- ✓ Three CCA projects at varying stages of completion and preliminary development underway of 10 topics.
- ✓ Information Systems assessed at 36 sites in support of financial statements, performance indicators and control opinions.
- ✓ Investigated four matters referred by external parties, two of which resulted in reports to Parliament.

- ✓ Parliament is better informed and able to make decisions about regulatory, financial and administrative issues facing agencies.
- ✓ Changes to agency practices resulting in enhanced and more reliable performance.
- ✓ Public confidence in the State's public interest disclosure regime.

- ✓ Four performance examination reports tabled.
- ✓ Two performance examinations, 80 per cent complete, to be tabled in early 2008-09.
- ✓ Preliminary development underway of four topics for possible performance examinations.

- ✓ Performance examination reports generate positive impacts and reforms in public sector agencies.
- ✓ Parliament receives high quality analysis of public sector accountability and performance on which to base decision-making.
- ✓ Continued recognition of the Division as a leading authority on improving performance.

- ✓ Quality assurance reviews undertaken of a sample of attest audits, CCAs and performance examinations.
- ✓ Advice given to auditors, agencies and Outcome Structures Review Group (OSRG) on auditing, accounting and KPI issues.
- ✓ Submissions to professional bodies on proposed changes to accounting and auditing standards.

- ✓ Provides assurance to Parliament that audits and examinations have been conducted in accordance with Office and professional standards.
- ✓ KPIs are clearly linked to outcomes and are measurable.

- ✓ Parliamentary survey conducted.
- ✓ Nine major reports coordinated and produced, with accompanying media relations.
- ✓ Advice and briefings provided to the Auditor General on accountability issues and Office performance.
- ✓ Provide advice and strategic support to the Auditor General to strengthen relationships with Parliament.

- ✓ Integrated Office planning and coordination of services.
- ✓ Better parliamentary and public awareness of the role and contribution of the Auditor General to public sector accountability.
- ✓ Responsive support to operational divisions in the delivery of services.

Organisational Strategies

To fulfil the Office of the Auditor General's purpose of Serving the Public Interest, the Office independently informs Parliament on public sector accountability and performance and thereby contributes to a better performing public sector. Strategies to achieve this purpose are:

Reporting on public sector performance in a relevant and authoritative manner, through:	Effectively communicating with Parliament, the public sector and the wider community, through:	Providing timely information and advice to the Auditor General to effectively fulfil his watchdog role, through:	Building a leading edge organisation, through:
Continually working to increase the quality of reports delivered to Parliament.	Strengthening focus on agency relationship management.	Re-engineering assurance business processes to improve timeliness.	Reviewing Office key performance indicators to improve robustness and ensure ongoing relevance.
Achieving a timely spread of reporting across the year – delivering what we said we would, when we said we would.	Strengthening our focus on parliamentary service including maintenance of the parliamentary survey and broadening liaison activities.	Shifting the emphasis from audit opinions to matters of significance by increasing the quality and quantity of analysis.	Focusing human resource planning and services on improving capacity, performance and professional development.
Continuing to strengthen the cycle of internal quality and review procedures, through challenge review, post-project review, quality assurance and external review as required.	Continuing to expand delivery of information through e-communications to reach a broader community.	Increasing the timeliness and relevance of advice to the Auditor General by leveraging stronger external relationships and an enhanced national profile.	Committing to an Office-wide focus on knowledge management through a range of major information initiatives.

Performance Management Framework

Outcome Based Management Framework

Government Goal	Desired Outcome	Service
Developing and maintaining a skilled, diverse and ethical public sector serving the government with consideration of the public interest	An informed Parliament on public sector accountability and performance	Performance Auditing

Changes to Outcomes Based Management framework

The Office's Outcome Based Management Framework did not change during 2007-08.

Shared Responsibilities with Other Agencies

The Office did not share any responsibilities with other agencies in 2007-08.

Enabling Legislation

The Auditor General is appointed by the Governor under the *Auditor General Act 2006* (AG Act).

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

As the accountable authority, the Auditor General must discharge responsibilities under the *Financial Management Act 2006*.

Key Legislation Affecting the Office's Activities

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*

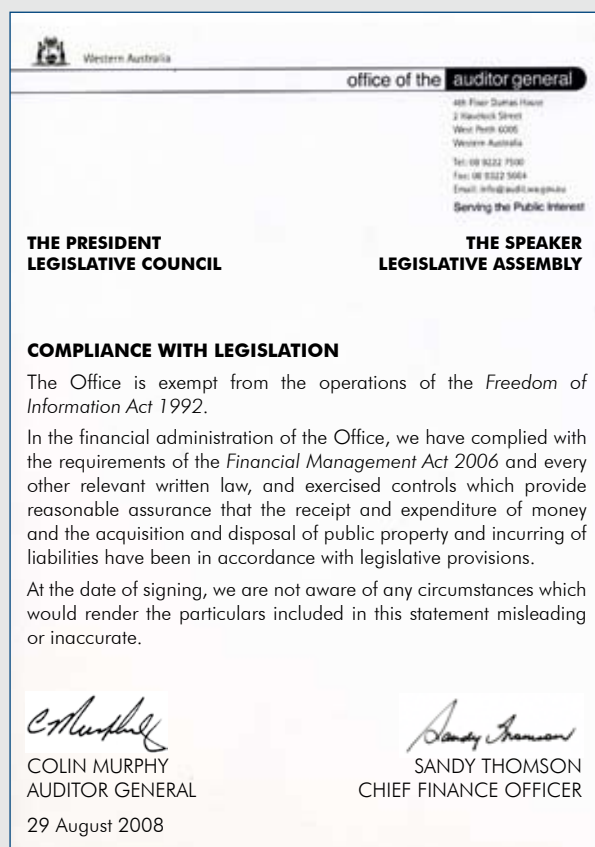
The following laws have some impact on the Office's activities:

- *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

Independent Officer

Under the 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 of the Auditor General 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 his or her functions.



Performance Examinations

Introduction

The Auditor General tables in Parliament a range of reports addressing issues of community interest. The reports include:

- **Performance Examinations** which provide Parliament with information and analyses of public sector programs and operational performance.
- **Control, Compliance and Accountability Examinations** which provide information about agency compliance with legislation, public sector policies and accepted good practice.

The role of the Auditor General is not simply about ensuring public money is spent according to the rules. It is also about ensuring the community receives value for its tax dollars.

As such, performance examinations do not question the objectives of government programs but rather focus on whether the stated objectives are being met efficiently and effectively.

By highlighting examples of better practice in these reports, Parliament is better informed to assess government performance.

Performance against targets – Parliamentary Reports	Target 2007-08	Achievement 2007 -08	Target 2008-09
Efficiency Average cost per matter of significance	\$49 508	\$47 750	\$51 665
Output Number of parliamentary reports	18-22	16	16-22
Effectiveness Percentage of respondents to annual Parliamentary Survey who agreed or strongly agreed that the Office is effective in achieving its desired outcome of informing Parliament on public sector accountability and performance	80%	90%	80%

Table 2

Efficiency

Matters of significance (MoS) are the key findings contained in all reports submitted to Parliament. ‘Key findings’ are defined as those issues a general parliamentary reader would take away from a report after the detail of specific findings have receded into the background.

In 2007-08 there were 79 MoS reported to Parliament (this includes all 16 reports). The average cost per MoS was \$47 750, slightly below target. The increase from the 2006-07 results is due to an increase in the complexity of reports provided to Parliament, which both reduced the number of MoS and increased the amount of work required to produce each report.

Efficiency – Parliamentary Reports	2004-05 Actual \$	2005-06 Actual \$	2006-07 Actual \$	2007-08 Actual \$	2007-08 Target \$	2008-09 Target \$
Average cost per matter of significance	50 781	29 600	32 522	47 750	49 508	51 665

Table 3

Output

The indicators set out in Table 4 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.

Output – Parliamentary Reports	What we achieved?	Comments
Report 100 Matters of Significance in reports to Parliament	79	See comments under 'Efficiency' on previous page
Table in Parliament 6 to 8 stand-alone and follow-up Performance Examinations during the year	4	Two reports expected to be tabled in 2007-08 were not tabled and will be tabled early 2008-09
Table in Parliament 10 to 12 Control, Compliance and Accountability examinations during the year	8 examinations 2 special investigations	Target met
Table in Parliament 2 reports on the results of financial statements, controls and performance indicator audits undertaken during the year	2	Target met

Table 4

Effectiveness

Feedback from our stakeholders tells us whether or not we are:

- effectively achieving our objectives
- conducting our audits in line with best practices
- choosing appropriate topics
- reporting our findings in a clear and concise manner.

We measure our performance in this area in a number of ways including:

- surveys of Members of Parliament
- tracking media interest in our reports

- downloads of reports
- monitoring enquiries and complaints received by the Office
- surveys of audit clients
- undertaking internal audits, self assessment and peer review processes
- participating in the annual benchmarking survey conducted by the Australian Council of Auditors-General (ACAG).

Agreement in Parliamentary survey that:	2003-04 %	2004-05 %	2005-06 %	2006-07 %	2007-08 Actual %	2007-08 Target %	2008-09 Target %
✓ the Office of the Auditor General is effective in achieving its desired outcome of informing Parliament on public sector accountability and performance of the public sector	66	80	92	78	90	80	80
✓ reports dealt with matters of significance to Parliament	76	90	85	89	94	90	90
✓ services and reports of the Office of the Auditor General are useful to Parliament	83	78	89	89	90	90	90

Table 5

Public Interest

Public interest in our work can be gauged from the number of times the reports are accessed on our website. Table 6 shows the Top 10 Downloads for our reports in the 12 months to 30 June 2008.

Top Ten Downloads 2007-08	
Report	Downloads
Life Matters: Management of Deliberate Self-Harm in Young People	3 552
A Critical Resource: Nursing Shortages and the Use of Agency Nurses	3 517
Getting Better All The Time: Health sector performance indicators	1 449
Management of Native Vegetation Clearing	1 438
Renewable Energy: Knowing What We Are Getting	1 329
Bus Reform: Competition Reform of Transperth Bus Services	1 255
Get Better Soon: The Management of Sickness Absence in the WA Public Sector	1 119
Help Wanted: Public Service Workforce Management	1 033
Shared Services Reform: A Work in Progress	835
Room to Move: Improving the Cost Efficiency of Government Office Space	809

Table 6

Media Interest

Media interest, too, is important in terms of getting attention for our messages and recommendations for change. It helps us to know that the topics we choose are ones that are of interest to the public. Media scanning commenced towards the later part of 2007. Results are as follows:

Date	Report Title	Media Coverage
18/06/2008	The Juvenile Justice System: Dealing with Young People under the Young Offenders Act 1994.	The West Australian ABC Radio 96fm and 6PR Channel 7
19/03/2008	Regulation of Security Workers and Information Security: Disposal of Government Hard Drives	The West Australian ABC Radio WA Business News
17/10/2007	First Do No Harm: Reducing Adverse Events in Public Hospitals	The West Australian Australian Hospital and HealthCare Association Newsletter
26/09/2007	Management of Asbestos-Related Risks by Government Agencies; Tracking Timber Logged From South-West Native Forests; and Establishing Contractual Arrangements with Private Business	The West Australian The Australian WA Business News 6PR ABC Radio Bunbury
5/09/2007	Management of Native Vegetation Clearing	The West Australian The Sunday Times The Australian WA Business News The Age 96fm and 6PR Network Ten ABC Channel 9

Table 7

Performance Examination Reports

– Precis

Independent and forthright reports tabled in Parliament by the Auditor General assist parliamentarians and the public to have a better understanding of the performance of public sector agencies. Together with advice provided to agencies, they assist agency management to improve the cost effectiveness and responsiveness of their services. The information provided by the Auditor General also reassures the public that an independent watchdog is serving the public interest. Collectively, these commitments contribute to improving community confidence in the public sector.

The following is a precis of the performance examinations, control, compliance and accountability audits and information system audits tabled during 2007-08. Topics were selected based on a number of criteria, including their ability to:

- serve the Parliament and community
- contribute to improved public sector performance
- improve accountability.



Management of Native Vegetation Clearing (5 September 2007)

Clearing of native vegetation in Western Australia is controlled under the *Environmental Protection Act 1986*. The legislation is supported by the *Environmental Protection (Clearing of Native Vegetation) Regulations 2004*. This examination assessed the management of native vegetation clearing by the Department of Environment and Conservation (DEC) and the Department of Industry and Resources (DoIR). We found that DEC and DoIR did not undertake appropriate monitoring and investigations of potential illegal clearing, nor test that decisions made on applications were being complied with.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
We recommended that DEC should keep the community better informed by reporting publicly on the extent of illegal clearing and its responses to it.	We recommended that DEC, in consultation with DoIR, should finalise and implement a plan for testing compliance with clearing decisions.	We recommended that DEC should create a program for investigating potential illegal clearing identified through satellite imagery and public complaints.



Management of Asbestos-Related Risks by Government (26 September 2007)

The *Occupational Safety and Health Regulations 1996* require all persons in control of a workplace to identify the presence and location of asbestos and to assess risk. Our examination involved an assessment of asbestos management activities at eight agencies with large building portfolios. We found that none of the eight sampled agencies had complete or up-to-date asbestos registers or management plans at the time of audit. Three of the agencies lacked any register or plans. Seven of the eight agencies had undertaken asbestos removal programs in the last 11 years. However, only two of these removal programs arose from established risk profiles.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
We recommended that all agencies need to immediately take steps to adequately monitor contractors and staff who work on or can disturb asbestos products.	We recommended that agencies develop registers and clear, unambiguous management plans including communication strategies, decisions about management options and timetables for action.	We recommended that agencies specify clear lines of responsibility with each person involved understanding their roles and responsibilities.



First Do No Harm: Reducing Adverse Events in Public Hospitals (17 October 2007)

The vast majority of patients that enter our public hospitals every year are treated safely and without incident. However, in some cases unintentional events may occur and harm patients. WA Health's incident reports show that, in 2006, there were 25 769 clinical incidents, 15 614 of which resulted in harm to patients with 820 being rated as critical (causing serious harm or death). The examination focused on the systems that are in place in WA's public hospitals to report and analyse adverse events and the effectiveness of the solutions implemented to reduce the incidence. We found that whilst State-wide incident reporting has been implemented, there were still deficiencies in the system.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
We recommended that WA Health learn from adverse events by setting priorities and using cross-sector systems to share all available data and information.	We recommended that WA Health should implement a coordinated program to monitor initiatives and evaluate progress.	We recommended that WA Health should improve its understanding of adverse events by increasing reporting and by improving the timeliness of data.



Administration of Natural Resource Management Grants (28 November 2007)

Since March 2003, the State and Commonwealth governments have jointly invested hundreds of millions of dollars into Natural Resource Management (NRM) projects in WA. We last looked at this area in 2004 and recommended that the governance processes be strengthened. This new examination sought to establish whether appropriate governance arrangements now exist. We found that the NRM groups we examined were effectively identifying priorities, coordinating projects and funding and have established satisfactory governance arrangements. However, it was not possible to determine whether the \$382 million spent since March 2003 was achieving objectives or represented value for money.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
We reviewed the management of significant funding by regionally based NRM groups who are required to represent community priorities in their work.	We recommended that the logic of strategies and investment plans, along with the targets and planned activities to achieve them, are reviewed to ensure they are still relevant, achievable and cost effective.	Our report highlighted the progress NRM groups have made in their governance arrangements. We identified areas for further improvement.



Renewable Energy: Knowing What We Are Getting (28 November 2007)

Currently, electricity from renewable sources makes up a relatively small proportion of the total electricity generated, but government targets aim to increase this. Research tells us that consumer confidence in 'getting what you pay for' and trust in providers of renewable energy are important factors in its growth and acceptance. Our examination focused on determining if Western Australians can be confident that renewable energy bought and sold by State Government agencies is electricity from renewable sources. We found that certified renewable energy does come from renewable sources and that the WA Government is on track to meet its target for energy from renewable sources by 2010. However, sales of GreenPower to both commercial and residential customers were disproportionately lower than in other states and this may be due to lack of awareness and confusion on the part of consumers.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
We recommended that agencies should educate consumers about renewable energy.	We recommended that agencies are transparent about what people are paying for.	We recommended that agencies report regularly against their renewable energy targets.



Regulation of Security Workers (19 March 2008)

Prior to being employed, security workers must demonstrate they are of good character and competent to perform the role. They are then subject to ongoing monitoring to ensure continued compliance with legislative and agency requirements. Our examination studied how five agencies assessed the suitability of personnel and monitored compliance. We found there was no indication that these agencies have allowed people to enter the security industry who had not met required character and competency standards or that unsuitable people continue to work in the industry. However, a number of improvements were needed to the way some agencies monitor compliance.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
The community regularly relies on security agents to ensure their personal safety and the security of their property. They expect high standards of integrity and competency in the industry.	We recommended that the Department of Corrective Services needs to tighten up on their referee and criminal history checks, especially when public prison officers are redeployed, transferred or promoted.	We recommended the Western Australian Police need to better monitor compliance and improve internal controls to ensure licensing decisions are consistent and appropriate.



Information Security: Disposal of Government Hard Drives (19 March 2008)

When government agencies upgrade their computers, the old computers are disposed of in a number of ways. It is critical that any sensitive information is removed from the hard drives prior to disposal. This examination focused on how agencies dispose of old computers. We found that four out of a sample of 10 ex-government computers purchased at auction by our audit team contained recoverable data. This data included information about public sector employees, detailed technical information about agency IT systems and documentation about their internal software development projects.

Serving the Public Interest by:		
Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
The public expects government agencies to handle data, especially personal data, in a secure manner. Our audit highlighted some of the issues and the need for improved government practices.	As a result of the examination, the State Records Office in consultation with the Office of e-Government have released guidelines to assist government agencies implement best practices when disposing of hard drives and other electronic media.	We recommended that agencies have appropriate policies and procedures in place for the secure removal of data from computer equipment prior to disposal and that these are communicated to all relevant stakeholders.



Risk Management, Delegation of Authority and Records Management (7 May 2008)

As part of the Office's mission, to serve the public interest by providing Parliament with independent and impartial information regarding public sector accountability and performance, each year it schedules the examination of some of the more fundamental aspects of day-to-day governance. This year risk management, delegation of authority and good recordkeeping were examined across a total of 18 agencies. The examinations found that whilst there was general compliance with requirements there was room for improvement in some areas.

Serving the Public Interest by:		
Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
The community expects government agencies to effectively manage fundamental governance processes.	We recommended that agencies continue to develop and implement risk management strategies and processes so that they become part of their core business.	We recommended that all agencies work to improve their compliance with the requirements of the <i>State Records Act 2000</i> .



Lost in Transition: State Services for Humanitarian Entrants (11 June 2008)

Humanitarian entrants arriving in WA in recent years have complex needs. A range of factors can influence how quickly and successfully they settle, including English language skills, literacy and numeracy, health and the capacity to get healthcare. We examined whether agencies planned and coordinated services effectively; and whether or not these services could be accessed and delivered effectively. We found that the inflexible application of policies and criteria can prevent humanitarian entrants getting the most appropriate service. We also found the lack of coordination between agencies made access to services more difficult.

Serving the Public Interest by:		
Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
Providing accessible and effective services is very important for the entrants and the community. If the needs of humanitarian entrants are not addressed, there is a risk that social problems may develop.	We recommended that agencies review the most effective way of providing humanitarian entrants with access to State Government services. We recommended agencies coordinate their approaches to ensure the most effective delivery of services.	We recommended that all agencies improve their information on humanitarian entrants' service needs, usage and service effectiveness to support planning and service delivery.



The Juvenile Justice System: Dealing with Young People under the Young Offenders Act 1994 (18 June 2008)

Maintaining law and order is one of the most fundamental expectations on government. Parliament has identified that our justice system will treat young people differently from adults. We examined whether or not the Western Australia Police, Department of Corrective Services and Department of the Attorney General are applying the general principles of the *Young Offenders Act 1994* in their handling of juveniles. The examination found that application of the redirection options under the Act is declining. In particular, fewer young people were being directed away from court. More young people were being detained on remand and police were having difficulty finding adults to supervise the young people while they were out on bail.

Serving the Public Interest by:		
Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
A safe community is important to most Western Australians. The Government aims to ensure that people will be safe and their property secure. As part of achieving these aims, the community expects the justice system to be effective and efficient.	Agencies need to ensure that young people who offend regularly are identified and case managed. Police officers need to consider redirection options in line with the <i>Young Offenders Act 1994</i> , including referring young people who have not previously offended to juvenile justice teams.	We recommended that agencies work together to establish clear responsibilities for ensuring that all victims of juvenile crime have the opportunity to become involved in juvenile justice teams.

Financial Audits

Introduction

The Auditor General is required by law [s14(1) and s15(10) of the AG Act] to examine the annual financial statements, key performance indicators and other information submitted by agencies under the *Financial Management Act 2006* (FM Act) and to express an audit opinion on each.

Financial audits focus on public sector agencies' annual financial statements. They provide assurance to Parliament that the information provided is based on proper accounts and is presented fairly in accordance with the FM Act and Treasurer's Instructions, as well as applicable Accounting Standards and other mandatory professional reporting requirements.

For departments and statutory authorities the Auditor General's opinion will also state whether the controls exercised by the agency provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with relevant legislation.

The scope and nature of this work and the results delivered have an impact beyond simply ensuring that the 'books balance' and agencies comply with the rules. At a wider level, it is about serving the public interest by providing Parliament with quality information.

Results

In 2007-08 the Office was 99 per cent successful in completing the audits of agencies' financial statements and performance indicators in time for the responsible Ministers to meet the 90 day tabling deadline for agencies' annual reports. All except one June cycle audit opinion were issued within this timeline. A further three agencies had not submitted their financial statements and performance indicators within 90 days to allow their audits to commence. In total, 211 audit opinions were issued during 2007-08 and five agencies received qualified opinions.

Two reports on the results of financial statements, controls and performance indicator audits undertaken during the year were tabled. Fifteen matters of significance were identified in these two reports to Parliament.

In terms of management issues, 117 of the 151 agencies audited on controls during the year had financial management control weaknesses brought to their attention. Additionally, 47 of the 55 agencies that were subject to information systems (IS) audits were made aware of control weaknesses. Security weaknesses remain the biggest concern, as they represent over 60 per cent of the total IS findings across all audits.

The following table summarises the Auditor General's financial audit activities (number of opinions issued) for 2007-08.

Audit Opinions Issued by Entity 2007-08	
Annual Report on State Finances	1
Parliamentary Departments	3
Government Departments	32
Statutory Authorities	104
Universities and TAFE Colleges (statutory authorities)	14
Superannuation Funds (statutory authorities)	3
Corporatised Entities	15
Cemetery Boards	7
Subsidiary Entities	23
Request Audits	9
Total Number of Audit Opinions Issued	211

Table 8

A full list of all agencies subject to audit is listed on pages 80 and 81 of this report.

Efficiency

‘Major audits’ are defined as those involving a significant size of audit effort, agencies with a central coordinating role and/or agencies with operational sensitivity. These agencies are responsible for approximately 96 per cent of State assets. ‘Other audits’ are defined as the remaining smaller, less complex and/or sensitive audits. The increase from 2006-07 to 2007-08 is due to an increase in the amount of out sourced audit work resulting from pressures on Office resources and tighter reporting requirements.

Efficiency	2004-05 Actual \$	2005-06 Actual \$	2006-07 Actual \$	2007-08 Actual \$	2007-08 Target \$	2008-09 Target \$
Average cost per major audit	128 293	134 979	137 039	153 702	154 235	163 101
Average cost per other audit	17 265	23 192	25 646	27 234	26 466	27 987

Table 9

Output

Output – Financial Audits	What we achieved?
Table Audit Reports in Parliament	2
Audit Opinions issued to Ministers/Agencies	211

Table 10

Timeliness

What we set out to do	What we achieved	Comments
Audit the financial statements, controls and performance indicators of 32 government departments; 104 statutory authorities; 15 corporatised entities; 4 universities; 10 TAFE colleges; 9 requests; 23 subsidiaries; 7 cemetery boards, 3 parliamentary departments, 3 superannuation funds and the Annual Report on State Finances	99% of opinions were issued in time to allow for tabling of annual reports within 90 days	A notable exception were the two opinions on the Department of Education and Training’s financial statements and performance indicators which were issued three weeks after the tabling deadline.

Table 11

Financial Audit Results Reports – Precis



Audit Results Report (5 November 2007)

The report included the results of the Office's 2006-07 audits by ministerial portfolios and opinion on ministerial notifications. The Office was 99 per cent successful in completing the audits of agency financial statements and performance indicators by the target date of 27 September 2007.

In total, 172 audit opinions were issued with 168 of these relating to the 2006-07 financial year. Four agencies received a qualified opinion. In terms of management issues, 58 of the 135 agencies audited on controls had significant and/or moderate financial management control weaknesses brought to their attention.

Additionally, 37 of the 45 agencies that were subject to information system audits were made aware of significant and/or moderate information control weaknesses.

Forty agencies were rated as better practice agencies and six of these have achieved better practice status for five consecutive years.



Audit Results Report (7 May 2008)

The Audit Results Report for agencies with a 31 December 2007 financial year end was tabled in May. The report included the results of the Office's 2007 audits of four universities, eight university subsidiaries and all 10 TAFE colleges. All universities and colleges, except Murdoch University, received clear opinions.

Two universities and three TAFE colleges failed to provide adequately prepared financial statements and supporting working papers by the agreed date and, as a result, the timeliness and cost of audits was affected.

Compared with the previous year, 50 per cent more information security weaknesses were identified. No universities or TAFE colleges were considered to display better practice in managing their financial reporting in 2007.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
The audits provide assurance to the Parliament and the public that the information provided to them is based on proper accounts and is presented fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.	The report highlighted the ongoing concern that agencies often do not understand or place sufficient importance on the vulnerabilities and threats to their information systems.	Agencies reviewing their internal control procedures and implementing changes suggested in audit management letters assists in improving their accountability for use of public funds.

Special Investigations, Complaints and Public Interest Disclosures

Introduction

Each year we receive many enquiries from Members of Parliament and the public about actions of public sector agencies or officers. These enquiries usually relate to concerns about the management of public resources and often include a request for an investigation.

In keeping with the Auditor General's independence, systems and standards are in place to ensure that any decision to investigate a matter is made after proper consideration of the relative merits of an investigation. Our investigations are then conducted in an objective and ethical manner in accordance with our normal examination process.

Enquiries and Complaints

The Office values the information it receives from the public in the form of complaints about service delivery or a request for information. A comprehensive complaints management system exists to ensure timely feedback to the complainant.

Complaints and enquiries are rich sources of information to inform future topic selection and attest functions. These public referrals may contribute to a later Office decision to examine a service delivery or operation of one or more government agencies. Our regular topic selection process involves the review of complaints and enquiries received over 12 months or more to identify themes and trends. For example, we may see that an agency has attracted multiple complaints or enquiries in relation to a specific area of their operation.

Table 12 provides an overview of trends in the number of enquiries and complaints received. Fewer enquiries and complaints were received from members of the public than in previous years. The volume of enquiries and complaints received from Members of Parliament remained constant.

In 2007-08 the Office responded to 77 complaints or enquiries about the public sector from members of the public. Eight of these required investigation or detailed responses.

Additionally, responses were made to 10 complaints or enquiries from Members of Parliament, relating to 10 government departments or agencies.

We reported in the *Fourth Public Sector Performance Report 2007* on two special investigations that arose from complaints/enquiries. One matter had been referred to the Office by a Parliamentary Committee (Establishing Contractual Arrangements with Private Business), and the other one from a member of the public (Tracking Timber Logged From South-West Native Forests).

Key Points:

- The volume indicates an ongoing interest from the public and Members of Parliament in public sector activities.
- Many of the complaints we received could not be examined under the mandate of the Auditor General as they related to non-public sector agencies or to issues of an individual administrative nature rather than procedural or systemic problems. In these situations we endeavour to direct the complainants to raise their concerns with the appropriate authority (such as the Ombudsman).

Major Themes

- Seeking information about examinations in progress or recently tabled.
- Seeking follow-up information about past reports.
- Accountability of agencies.
- Renewable energy.
- Water licensing.

Enquiries and Complaints Received	2004-05	2005-06	2006-07	2007-08
Public	95	102	103	77
Members of Parliament	3	8	12	10
Total	98	110	115	87

Table 12

Working with Parliamentary Committees

The Office has important interactions with committees of the Parliament. The Auditor General is often called upon to give evidence at committee briefings and to respond to enquiries of the committees.

Although the Auditor General is not subject to direction from Parliament, he must have regard to the audit priorities of Parliament as determined by either House of Parliament, the Public Accounts Committee (PAC) or the Estimates and Financial Operations Committee. A Joint Standing Committee on Audit can have input to our budget and our organisational structure.

There is a particularly valuable aspect of the relationship between the Office and the PAC. While the Auditor General can report and make recommendations to the Parliament, he cannot enforce adoption of these recommendations by relevant agencies and bodies. However, the PAC now follows up with agencies regarding their implementation of recommendations arising from our performance examinations. The Committee tables an annual report in Parliament based on its deliberations of all these examinations (most recently on 11 November 2007).

Public Interest Disclosures

We also receive public interest disclosures (PIDs). The Office is one of a number of accountability agencies under the *Public Interest Disclosure Act 2003* to whom people can make disclosures.

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

In 2007-08 the Office registered and completed one public interest disclosure. One PID, registered in July 2006, continued to be progressed during 2007-08.

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

PIDs Registered	2003-04	2004-05	2005-06	2006-07	2007-08
By Year	4	1	4	1	1
Total to 30 June	4	5	9	10	11

Table 13

Other Indicators of Agency Performance

The indicators set out in Table 14 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
Respond to 100% of complaints and enquires within 10 working days.	78%	The average length of time taken to respond to complaints and enquiries was 5.7 working days. Due to the complexity of the issues raised, 22% took more than 10 working days to prepare a response.

Table 14

Special Investigation Reports – Precis



Tracking Timber Logged from South-West Native Forests (26 September 2007)

Approximately 630 000 tonnes of log timber worth \$44 million was harvested from south-west native forests in 2006-07. We examined how the Forest Products Commission (FPC) tracks south-west native forest log timber harvested by its contractors. We found that the extent of theft of log timber is unknown and, although FPC's system for recording the delivery of log timber to customers conforms with the *Forest Management Regulations 1993*, it does not enable the tracking of individual harvested logs which would be required to determine theft.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
The examination was in response to a complaint from the community.	FPC has advised that it will take action to meet the regulatory target and to ensure that checks are based on an assessment of risk and value.	We recommended that the FPC make it a priority to develop and implement compliance programs to complement its current system or any future tracking system.



Establishing Contractual Arrangements with Private Business (26 September 2007)

Many government agencies engage in business activities with private sector organisations for profit-making purposes. We reviewed two such arrangements entered into by the Western Australian Sports Centre Trust (the Trust). The largest of these involved a series of five agreements to stage rock music concerts at Arena Joondalup. We found that the Trust did not follow fundamental governance practices prior to entering into the agreements and that the financial returns to the Trust from several of the concerts did not reflect that it bore nearly all the risk. Further, we found that the Trust did not consider whether it could obtain more favourable terms and outcomes under an arrangement with another partner.

Serving the Public Interest by:

Serving the Parliament and Community	Contributing to Improved Public Sector Performance	Improving Accountability
This examination was in response to a request from the Standing Committee on Estimates and Financial Operations (under s20 of the AG Act).	The Board of the Trust accepted the findings and has improved their governance processes.	We recommended that all agencies should undertake appropriate governance processes when considering business agreements of this nature.

Managing Our Office

Our core business is reporting to Parliament on how the public sector utilises the resources entrusted to them. It is imperative then that we conduct our own affairs with maximum efficiency and effectiveness.

Our greatest strength is the competence, dedication and enthusiasm of our people. We aim to be exemplary in managing our people, our workplace and the systems that support the work that they do.

Managing Our People

Our People

Our success in helping Parliament to improve the accountability and performance of the State depends on our ability to:

- attract, motivate and retain talent
- manage performance effectively
- develop our people
- provide a safe and environmentally friendly workplace.

In a very tight employment market the challenges we face are evident in a shrinking applicant pool and rising attrition rates. New human resource strategies have been developed and implemented to counter these challenges and to continue developing the skills and leadership capabilities of our people.

Employees by Division at June 2008¹

	2007	2008	Difference
Auditor General Unit ²	6	6	0
Assurance Services Division	60	40	-20
Performance Review Division	21	17	-4
Compliance and Information Systems	12	14	+2
Standards and Quality Division	4	4	0
Strategy Policy and Innovation Division	26	25	-1
Total	129	106	-23

¹ Includes 'inoperative' staff (ie on secondment, parental leave and leave without pay).

² Includes the Auditor General, Deputy Auditor General and support staff.

Table 15

Staff Attrition

Our 33 per cent attrition rate was higher than last year. Of particular concern is the number of assurance auditors who have left the agency. However, most leave for promotional opportunities in the public sector, which confirms our understanding that we are an important training ground for finance professionals in the public sector.

We have implemented a number of incentives and schemes to combat this challenge which will mean a more responsive approach to filling vacancies and offers potential to improve the career progression of current employees.

Recruitment

The Office endeavours to attract high quality staff via innovative and timely recruitment processes and employment options.

We offer prospective and current employees flexible working practices, including working from home and part time working arrangements.

As the market has tightened and escalating private sector salaries continue to attract public sector employees, our recruitment strategies are also changing:

- In early 2008 we commenced broader online advertising, to attract a wider candidate pool and an increase in the number of applications.
- We have also used the Australian Council of Auditors-General (ACAG) website to advertise for specialist vacancies.
- We have implemented an automated candidate management system allowing online applications and recruitment processing; and increasing reporting capability and tracking on applicants.

Graduate Development Program

The focus of the Office's Graduate Development Program is to provide new graduates with a structured path to becoming effective auditors.

The program aims to give graduates:

- ✓ an understanding of the principles and precedents of external auditing in the WA public sector
- ✓ a well rounded experience of the Office
- ✓ skills and competencies to perform the responsibilities associated with the position of graduate auditor
- ✓ skills and competencies to enable progressive development to positions of leadership and management
- ✓ a healthy balance between professional and personal development.

GRADUATE DEVELOPMENT PROGRAM	
Key Objective	Strategies
To maintain and deliver a program which attracts applicants; provides a sound preparation for assurance audit work and leads to permanent employment	<ul style="list-style-type: none"> ✓ Review recruitment strategies and processes to encourage suitable applicants ✓ Ensure program remains relevant and up-to-date ✓ Ensure regular monitoring of performance occurs ✓ Where relevant, provide other staff with access to the program

Results

- ✓ In 2007, 10 graduates commenced with the Office. One successfully obtained a promotion within the public sector and, based on the regular appraisals conducted throughout the year, six others were offered permanent employment at the conclusion of the 12 month program. Five of those have since achieved internal promotions.
- ✓ The Standards and Quality Division are continuously improving the technical content of the Graduate Development Program and are assessing the impacts of the current (2008) changes.
- ✓ Six graduates commenced in the 2008 calendar year intake of the program. When surveyed at the end of their four week intensive induction program, all six responded that they were highly satisfied with the course and rated 95 per cent of sessions as good to very good for both content and style.

Performance Management

The Office has introduced a new performance management program – GROWTH, to provide all employees with a robust mechanism that allows meaningful, objective feedback on their work performance, professional progress and leadership capabilities.

The Corporate Executive actively supports performance management as a means for employees to receive constructive, objective feedback that encourages their role specific, professional and personal development.

Additionally the Office has developed and obtained approval from the Department of Consumer and Employment Protection and the Department of the Premier and Cabinet for Career Progression, an employee attraction and retention strategy which allows us to meet ongoing business needs by promoting suitably skilled employees to roles in which they are found to be competent.

PERFORMANCE REVIEWS	
Key Objective	Strategies
To ensure all staff are involved in regular reviews of performance	<ul style="list-style-type: none"> ✓ Implemented revised GROWTH program ✓ Run concurrent education sessions for staff, manager, supervisors, directors, etc ✓ Identify Office-wide education needs from staff reviews ✓ Liaise with managers on one to one learning needs ✓ Assist supervisors and managers with any complex performance issues

Results

- ✓ Implementation of the GROWTH performance development implementation commenced with the graduate appraisals. High level information from the education process was provided at Office Forums.

Learning and Development

The Office has a strong commitment to professional development, both in terms of financial resources as well as providing employees time to attend professional development opportunities. The Office spent 3.4 per cent of its actual salaries in 2007-08 on providing training. The latest ABS statistics show that average employer training expenditure is 1.3 per cent (ABS catalogue 6362.0, 2001-02). Initiatives have been implemented in a number of areas to consolidate the Office's position as an employer of choice:

- a comprehensive induction process for all new employees
- ensuring training and development needs align with Career Progression
- web based training and development calendar
- support for postgraduate qualification and professional accreditation
- attendance at conferences, courses and seminars.

LEARNING AND DEVELOPMENT	
Key Objective	Strategies
Staff training that develops knowledge and skills in current, relevant and emerging practices	<ul style="list-style-type: none"> ✓ Professional staff to maintain requirements of their profession ✓ Liaison with HR on areas of skill shortages ✓ Ensure training and education needs align with GROWTH and Career Progression ✓ Web based training and development calendar ✓ Active support of in-house training ✓ Partnerships with accounting and professional bodies

Leadership Development

The Office participates in two leadership development programs; one run by the Department of Premier and Cabinet (DPC) and one by the Leadership Management Australasia (LMA). The DPC program is sector-wide and attendance is through competitive entry. The Office has had one participant accepted in 2007 and one in 2008.

The Office has three participants in the 2008 LMA Program, a modular format program delivered externally over six months that includes mentoring by senior public sector managers and directors to enhance leadership skills.

Of note also was the appointment of one of our officers as the Public Sector Fellow for 2007. Her research topic, 'Making Sense of Whole of Government Financial Reporting' was of great interest to the Fellowship partners. She will complete her obligations to the Fellowship with a publishable research paper and a number of presentations and seminars on her findings.

LEADERSHIP DEVELOPMENT PROGRAM	
Key Objective	Strategies
A leadership development program which supports 'emerging' leaders and which is aligned to the DPC framework	<ul style="list-style-type: none"> ✓ Develop and implement systems for identifying 'emerging' leaders ✓ Develop and implement application/ approval processes

Results

- The Office has had one participant accepted in the DPC Pathways to Leadership Program in 2007 and one in the Foundations of Leadership Program in 2008.
- The Office has three participants in the 2008 LMA Program.

Work Experience Programs

The Office has participated in a number of work experience programs with professional bodies and universities. The objective in doing so has been to:

- promote the Office as an employer of choice
- raise the profile of external auditing as a career option
- promote the Office as a partner with professional bodies.

WORK EXPERIENCE PROGRAM	
Key Objective	Strategies
Develop and implement work experience programs that target <ul style="list-style-type: none"> ✓ Youth ✓ People with disabilities ✓ People from a cultural and language diverse (CALD) background 	<ul style="list-style-type: none"> ✓ Identify areas which will be of most benefit to work experience ✓ Link into DPC work experience program to identify potential work experience students ✓ Review the Aboriginal Cadetship program ✓ Discuss with DPC options for work experience for people from a CALD background

Results

- The Office accepted two work experience placements into the Assurance Services Division who spent two weeks each in the Office.

Workplace

Grievance Resolution

A robust, independent and fair system, along with a supporting policy, is in place to deal with workplace grievances. Training for new contact officers and refresher training for existing contact officers is underway.

One grievance and one breach for recruitment were investigated this year. The grievance was not upheld and the breach claim was withdrawn during conciliation.

Social Club

Our social club is another important part of Office life. It provides our employees with the opportunity to meet socially and participate in community and sporting activities. Fifty-one employees are currently members, and have enjoyed regular social functions, including team building activities with the whole of the Office. The Social Club has also coordinated charity fundraising events such as the Big Morning Tea and the Purple Bra Day.

Occupational Safety and Health

In meeting our compliance requirements as a public sector employer, ergonomic training and assessments were conducted in 2008. Eighty per cent of employees attended the training. Anticipated outcomes are:

- raising OS&H awareness generally and ergonomic awareness specifically
- prevention of workplace injuries
- identification and resolution of OS&H pre-existing issues

An influenza vaccination program was provided again this winter, as a proactive wellness activity.

Equal Employment Opportunities (EEO)

EEO training was conducted in 2007 to meet our compliance requirements as a public sector employer. Over 90 per cent of employees attended. Anticipated outcomes are:

- increased awareness of EEO and reinforced Office behavioural standards
- increased awareness of Office processes and support for employees.

WORKPLACE CULTURE AND SUSTAINABILITY

Key Objective	Strategies
A culture that is positive and vibrant based on professionalism, teamwork and accountability that facilitates and supports innovation and continuous improvement across the Office	<ul style="list-style-type: none"> ✓ Provide general education on the principles and processes of building positive behaviours and culture. ✓ Provide specific education on the principles and practices of innovation and continuous improvement ✓ Provide a minimum of three whole of Office team building events each year. ✓ Facilitate a minimum of three Office Forums

Staff Satisfaction Survey

In late 2007 we undertook a staff satisfaction survey focusing on performance feedback, professional development and job satisfaction. Employees reported increased satisfaction with their levels of feedback, recognition and opportunities to use their skills. Our commitment continues and the next survey is planned for early 2008-09.

Managing Our Systems

Quality Assurance Framework

We implement rigorous quality assurance processes so that we can assure the Parliament and the public about the quality of our work.

This year we participated in the development of a new approach to quality assurance in conjunction with the Australian Council of Auditors-General (ACAG). It enables ACAG Audit Offices to demonstrate that they are:

- meeting legal, professional and ethical requirements
- operating effectively and efficiently in the use of resources
- committed to continuous improvement and best practice in all facets of operations.

We have long been committed to implementing best practice within our audit and examination functions and to performance assessment by external peer review. This new approach is more comprehensive and more demonstrably evidence-based as it:

- encompasses a 'whole of Office' approach to quality assurance that includes all corporate functions as well as operational ('audit') functions
- provides an over-arching conceptual framework to implement and integrate continuous improvement and best practice within the Office
- comprises soundly-based and measurable standards that enable us to objectively assess improvements over time and to compare our performance with other ACAG Audit Offices.

We have adopted a phased and escalating program of self-assessments and external reviews over a five-year cycle:

- Initial internal self-assessments within the Office – the first was conducted in late 2007 with a second scheduled for late 2008.
- An ACAG peer review scheduled for 2009, followed by a further self-assessment in 2010-11.
- An external review of the AG Act is to be carried out by the Parliament (under section 48(i) of the AG Act) as soon as it is practicable after the fifth anniversary of its commencement.

We then plan to continue with ongoing, periodic self-assessments, peer, and external reviews on a rolling five-year cycle.

Feedback

In addition to the internal quality assurance framework, a number of surveys, reviews and audits are conducted each year to provide feedback to the Office on performance and client perceptions. Each of these provides opportunities to improve:

- Parliamentarians are surveyed in April each year.
- Agencies involved in performance examinations and CCAs are surveyed four to six weeks after the report is tabled in Parliament.
- Financial audit clients are surveyed in December or May, depending on their financial year end date.
- The results of the above three survey types are reported in early August, with comparative results for applicable other jurisdictions.
- Staff satisfaction surveys are conducted regularly with reports distributed to the Corporate Executive.
- The ACAG benchmarking survey, comparing the internal work of audit offices in Australia, is conducted in November with results distributed in February.
- External audits of the Office are conducted each year for the annual reporting cycle.

Risk Management

Risk management is an integral part of our governance framework. Operations are undertaken against a whole of office risk management matrix, as approved by the Corporate Executive.

During the year we strengthened our approach to risk management and refocused on the major strategic risks faced by the Office. We are developing new tools to better capture and report to the Corporate Executive.

At 30 June 2008 all identified risks have effective risk treatments in place.

Business Continuity – Information Systems

The Information Resources Branch is responsible for developing and implementing appropriate controls and systems to protect and recover the Office's information systems and services in an appropriate timeframe and manner following a disaster.

Business continuity features are factored into the design of critical system and network services, and are implemented as part of the development of all key systems. Systems are regularly tested, reviewed on a periodic basis and enhanced or replaced as appropriate.

Initiatives to achieve business continuity include:

- hardware and/or software redundancy factored into critical systems
- critical computer systems operate in a mirrored 'fail-over' environment allowing rapid activation of a backup system in the event of primary system failure
- critical internal components, network switches and disk drives are replicated removing single points of failure
- an automated tape backup system is in place with backup tapes moved offsite for safe storage
- automated real-time monitoring and reporting of environmental and system conditions provide early warning of potential issues
- automated security management software products minimise the risk of adverse security events impacting critical system operation.

Business Continuity - Operations

The Office has a defined Business Continuity Plan which has been registered with RiskCover. The Plan is currently under review to include managing a pandemic disaster.

Information Technology

The Information Technology section continued to provide technical support to employees working at remote locations and at the Office.

In 2007-08 an investment was made to replace the core legacy management information system with a contemporary system (eTrack). The introduction of eTrack provides the Office with an intuitive and interactive resource and practice management system designed specifically to support the operations of an audit office. eTrack provides considerable additional functionality including resource scheduling and project tracking features, client relationship management services, audit budgeting and monitoring, and critical issues tracking. The integrated nature of eTrack provides management and staff with a single interface into key operational activities of the Office.

In addition to eTrack, a project to replace our intranet by mid to late 2008 has commenced. The introduction of the new Intranet will enable us to rapidly address the increasingly complex information requirements within the Office.

The progressive deployment of wireless access was extended to all field staff this year. The provision of wireless data communication services enables audit staff to communicate via email with colleagues and clients whilst out in the field and to access centralised information systems, increasing productivity.

A review of alternative audit methodology systems is progressing.

Information Management

The management of information is critical to effective office functioning.

Major objectives for 2007-08 were to:

- deliver key information applications projects (intranet redesign, business intelligence initiatives)
- implement the 2006 review recommendations on the Office's electronic information management system (TRIM) by focusing on the integration of TRIM with other business systems
- acquire and implement new information systems (Practice Management and Integrated Business Intelligence Systems).

With the implementation of eTrack in 2008 and the coming implementation of Sharepoint, the integration of business systems will be further strengthened.

Communications

Our corporate communication strategy aims to make our key stakeholders – Parliament, audited agencies and the community – more aware and understanding of our role and work. During 2007-08 we improved our communication practices by:

- continuing to meet and discuss our work with parliamentary committees and parliamentarians (including the annual survey of attitudes to the Office and the provision of briefings after every report is tabled)
- revising our pre and post audit interviews with public sector agencies to better meet their needs and expectations
- continuing to emphasise an office-wide Plain English policy, including employee training
- introducing regular email updates from the Auditor General to all employees
- continuing regular whole of Office information forums
- providing reports to Parliament that are viewed by them as models of clear and concise communication
- improving communications with our people on key issues through regular and consistent meetings and briefings.

We participated in a number of external promotional activities aimed at developing community awareness of our roles and services and increasing our profile as an employer of choice. The Office continued its association with CPA Australia as an exhibitor at their annual Graduate Recruitment Evening

and also attended the Curtin University Careers Fair in April. Further opportunities will be explored for 2009 and beyond.

While we undertook a limited review of certain aspects of our communication strategy, we plan to conduct a broader review through 2008-09.

Parliamentary Liaison Program

Providing regular information to Parliament is one of the Office's core functions. This is in addition to the inclusion of Parliament in our communications strategy. A calendar of planned regular contacts has been developed and will be refined in 2008-09.

Image

In February 2008 the Office introduced a new corporate logo. It features our new corporate colours of grey, blue and white and introduces the OAG acronym as part of the Office's name.



Guidelines to ensure consistent and appropriate use of the logo are being developed and the full implementation will be completed by December 2008.

Encouraging Public Sector Better Practice

In the Audit Results reports, the Office identifies agencies that demonstrate better practice in their financial management and reporting.

The Office also supports the Institute of Public Administration Australia (IPAA) WA in its aim of advancing excellence in the public sector. The Office sponsors the Lonnie Award for Accountability and Transparency in annual reporting, which provides incentives for agencies to attain best practice in their annual reporting. The Office also contributes to IPAA's award of Chief Finance Officer (CFO) of the year, by identifying a shortlist of CFOs in better practice agencies.

Further, the Office also sponsors a range of other awards designed to promote the pursuit of excellence. This includes the Assurance Services and Auditing Award to the top candidate each semester in the Certified Practising Accountants Program.

Financial Management

The following is a summary of the financial performance of the Office and the trends from 2004 through to the current period ended 30 June 2008. This summary is based on information provided in the Office's audited financial statement.

The significant variation between the target and actual cost of services is due to the continuing pressures on the assurance audit function. The impact of revised Australian Accounting and Auditing Standards has added to the complexity of the audit task, whilst pressure continues for earlier finalisation of attest audits. This takes place in the context of a shrinking labour market of audit and finance professionals and escalating difficulty in attracting and retaining qualified assurance audit staff.

Table 16 shows the Office's actual financial performance compared to its 2007-08 budget targets.

Service and Appropriation Summary ⁽¹⁾			
	30 June 2008 Target \$000 ⁽²⁾	30 June 2008 Actual \$000	Variation \$000
Total cost of service	14 587	16 401	1 814
Net cost of services	14 567	16 376	1 809
Total equity	1 265	1 321	56
Net increase/(decrease) in cash held	267	723	456
	Number	Number	Number
Approved full-time equivalent staff level	106.3	99.6	-6.7

Table 16

(1) 'Service' means Performance Auditing.

(2) As specified in 2007-08 Budget Statements (Budget Papers No 2, Volume 1).

Summary of Financial Performance

Table 17 shows the Office's actual financial performance and position at 30 June over a period of five years including 2007-08.

	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000
Financial Performance					
Total Income (a)	10 587	12 619	14 731	15 509	16 675
Total Expenditure	11 926	12 694	14 249	15 654	16 401
Net Cost of Services	9 770	12 627	14 149	15 631	16 376
Change in Net Assets	-1 339	-75	509	-145	274
Financial Position					
Total Assets	2 498	2 600	3 969	3 176	4 176
Total Liabilities	1 920	2 025	2 885	2 237	2 855
Employee Entitlements	1 468	1 623	1 640	1 628	1 855
Analytical Information					
Change in Net Assets to Total Income (b)	-12.65%	-0.59%	3.46%	-0.93%	1.64%
Current Ratio (c)	1.49	1.05	1.18	1.14	1.15
Debtor Turnover (d)	0.02	0.03	0.03	0.04	0.04

Table 17

(a) Total Income refers to Total Operating Revenue and Total Revenues from government. The increase in income from government in 2008 reflects funding required to meet the additional costs of the assurance audit function. These amounts do not include fees collected for audit services as these are paid to the Consolidated Account as Administered Revenue.

(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 to Total Income.

Financial Performance

The Office's net cost of services at 30 June 2008 has increased four per cent over the previous year. The increase is mainly due to increased usage of private sector audit contractors to meet reporting timeframes and difficulties in attracting and retaining qualified audit staff.

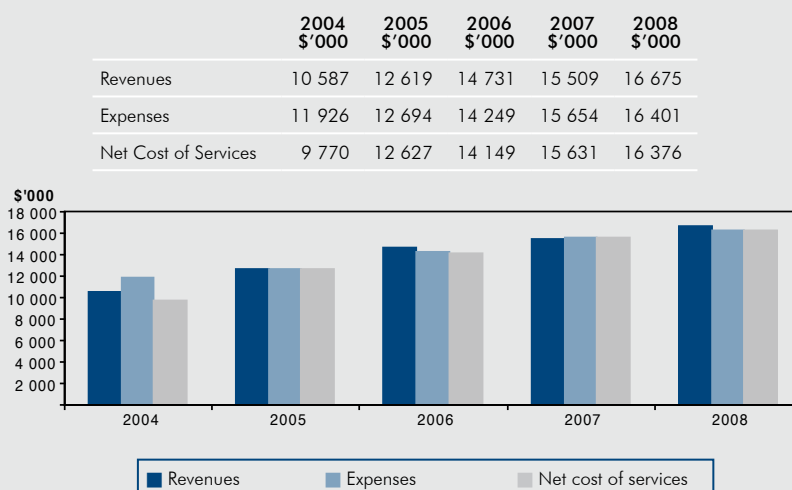


Figure 1: Financial Performance

Expenditure

The largest expenditure item for the Office is salaries, representing 47 per cent of the 2007-08 total cost of services at 30 June. Salaries costs have decreased by three per cent compared to the previous year reflecting labour market factors. This reduction is offset by an increase in expenditure on private sector contracts, as more assurance audit work has been contracted to private firms.

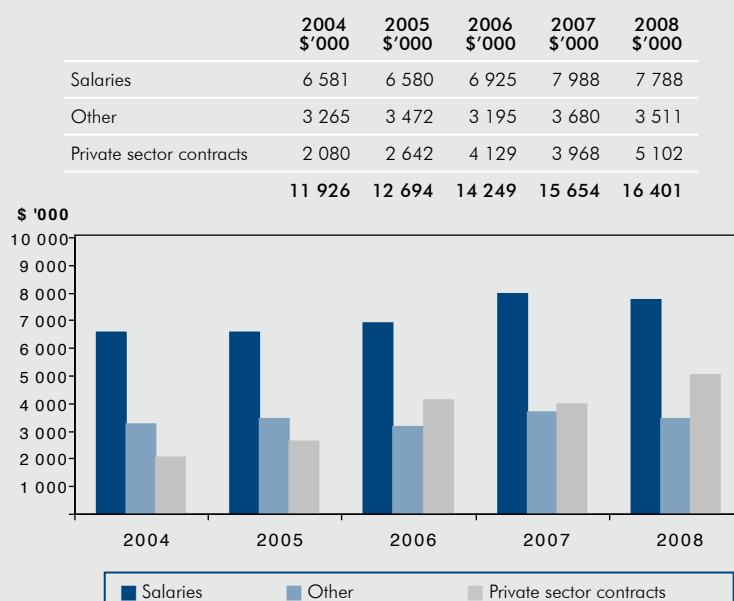


Figure 2: Expenditure

Financial Position

Net assets of the Office increased during the financial year. Total assets increased by 31 per cent compared to the previous year and total liabilities increased by 28 per cent.

	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000
Assets	2 498	2 600	3 969	3 176	4 176
Liabilities	1 920	2 025	2 885	2 175	2 855
Net Assets	578	575	1 084	1 001	1 321

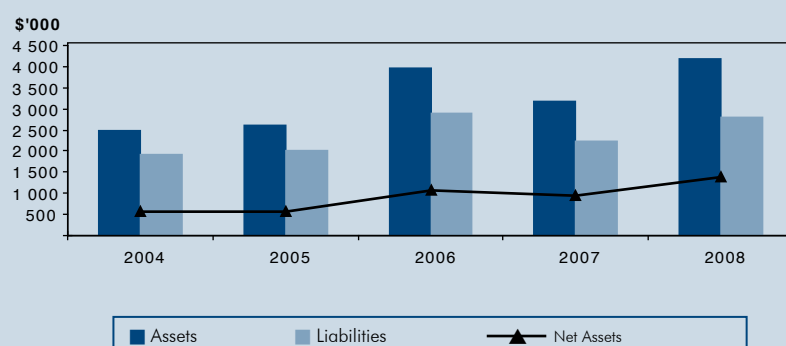


Figure 3: Financial Position

Assets

The Office's asset holdings at 30 June 2008 comprised mainly of Cash and Restricted Cash Assets (42 per cent) and Plant Equipment and Intangibles (25 per cent). Cash and Restricted Cash Assets increased during the year due to a reduction in salaries costs and savings in other administrative expenditure.

	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000
Cash and cash equivalents	653	982	2 094	957	1 649
Restricted cash and cash equivalents	256		25	61	92
Receivables	392	323	498	638	641
Property, plant and equipment	847	876	844	896	576
Intangible assets			62	111	482
Amounts receivable for outputs	350	419	446	513	736
	2 498	2 600	3 969	3 176	4 176

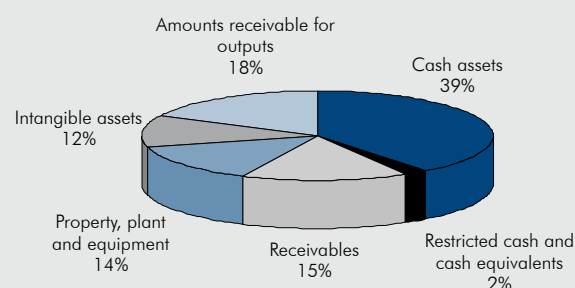
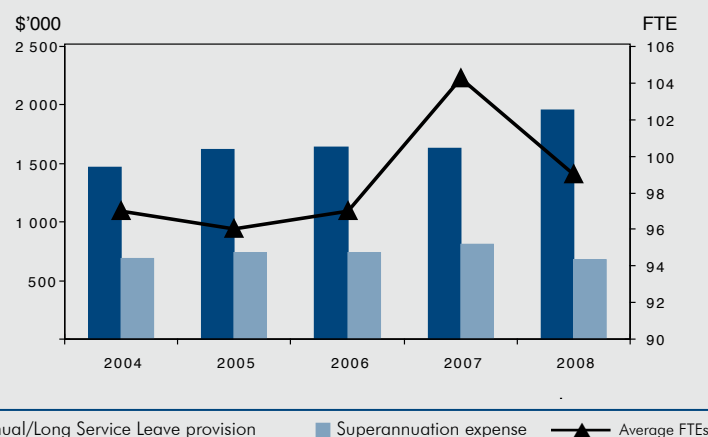


Figure 4: Proportion of Assets at 30 June 2008

Liabilities – Employee Entitlements

The major component of the Office's total liabilities at 30 June 2008 relates to employee entitlements of 65 per cent (72 per cent at 30 June 2007). The decrease of seven per cent is mainly due to a decrease in FTE numbers.

	2004	2005	2006	2007	2008
Annual/Long Service Leave Provision (\$'000)	1 468	1 623	1 640	1 628	1 855
Superannuation Expense (\$'000)	692	740	635	805	689
Average FTEs (number)	97	96	97	104	99



Significant Issues and Trends

Overview

A combination of factors have placed mounting pressure on the Office's assurance audit function. The impact of revised Australian Accounting and Auditing Standards continued to add to the complexity of the audit task, as did the 90 day timeframe for finalising financial audits under the State financial management legislation. This was in the context of a shrinking labour market of audit and finance professionals and associated difficulties in attracting and retaining qualified assurance audit staff. In 2007-08, these factors all affected audit costs for agencies and dominated the business landscape of the Office.

New Audit Standards and amended Accounting Standards

In 2007-08, the full impact of the new Australian Auditing Standards was felt by the Office. Audits now require more work to ensure adherence to the additional requirements. Changes to Accounting Standards have also required staff training so that we can advise agencies on compliance and reporting issues. This investment of training and consultation has allowed the Office to maintain high levels of assurance in both our work and the reliability of agency financial statements.

Ninety Day Timeframes

The annual report of agencies, which includes their audit opinion, must be tabled in Parliament within 90 days of their year-end balance date. Our ability to meet this deadline is ultimately dependent on the timeliness and quality of the financial statements and performance indicators submitted to us. Although we were able to issue 99 per cent of agency opinions by the deadline, the timeliness and quality of financial statements and supporting evidence submitted by many agencies still needs to improve. We are focusing our efforts on supporting agencies to improve in these areas.

Audit Workforce and Resourcing

These challenges occur in the context of a tighter labour market for audit and finance professionals across Australia. This is particularly acute in Western Australia. The Office continues to experience difficulties in attracting and retaining assurance audit staff due to more competitive employment opportunities in the private sector and promotions to other public sector agencies. Private sector audit capacity is also under pressure, resulting in continuing increases in contract rates.

To mitigate the effects of the shrinking labour market and the changes to audit workloads, the Office has introduced a number of strategies. We have continued to increase our

investment in staff development and to monitor employee satisfaction. We have improved our recruitment strategies by adopting more innovative advertising procedures, offering remuneration options where possible and by emphasising our employment benefits and flexible work options.

Nevertheless, the Office has had to continue placing greater emphasis on private sector contracts. Over 55 per cent of financial audit work was contracted out in 2007-08, and this will continue in 2008-09. This strategy has enabled us to meet the service peaks created by shortened timeframes and to address workforce gaps caused by high staff turnover. Our use of contractors will continue to be supported by strengthened quality assurance to ensure our high standards are maintained.

Shared Services

The implementation of the Shared Services reform (with the consolidation of agency corporate functions) has the potential for eventual savings in audit costs. However, in the initial years the changes to the structure and function of the public sector creates new risks for the sector and cost implications for audit.

When agencies switch over to shared services, we can no longer rely on much of our previous audit work for those agencies. Substantial audit effort is then required to evaluate the controls both in the shared service centres and at individual agencies. This is necessary to establish levels of assurance for these new systems and to evaluate the accuracy of financial, HR and payroll data of agencies that are rolling into the shared service arrangements.

Office Accommodation

The Office has occupied space on two levels of Dumas House since 1990. Refurbishment costs during these 18 years have been minimal. Accommodation issues are now being considered due to an increase in lease costs and the need to undertake major refurbishment to modernise the working environment for staff and to make better use of available floor space.

Changes to Government Employee Superannuation Board

Changes to operational aspects of the Government Employees' Superannuation Board will have a short term effect on the Office (in a similar vein to the disaggregation of Western Power). Specific audit procedures will be required to assess the structural changes.

Disclosures and Legal Compliance

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Office of the Auditor General

Certification of Financial Statements for the year ended 30 June 2008

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 2008 and the financial position as at 30 June 2008.

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

26 August 2008

Office of the Auditor General

Independent Auditor's Opinion

Financial Statements for the Year Ended 30 June 2008

<p>INDEPENDENT AUDIT REPORT TO THE PARLIAMENT OF WESTERN AUSTRALIA</p> <p>OFFICE OF THE AUDITOR GENERAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008</p> <p>MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS</p> <p>This audit report relates to the financial statements of the Office of the Auditor General for the year ended 30 June 2008 included on the Office of the Auditor General's web site. The Accountable Officer is responsible for the integrity of the Office of the Auditor General's web site. We have not been engaged to report on the integrity of the Office of the Auditor General's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.</p> <p>SCOPE</p> <p>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 2008, 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 2008, a summary of significant accounting policies and other explanatory notes under the provisions of the Financial Management Act 2006 and Auditor General Act 2006.</p> <p>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.</p> <p>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.</p> <p>The audit opinion expressed below has been formed on the above basis.</p> <p>AUDIT OPINION</p> <p>In my opinion:</p> <ul style="list-style-type: none"> (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 2008 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. <p><i>Bentleys</i></p> <p>BENTLEYS Chartered Accountants</p> <p>DATED at PERTH this <i>26</i> day of <i>August</i> 2008</p> <p> NUMBER ONE IN NUMBERS</p>	<p>Bentleys Thinking ahead</p> <p>RLF Bentleys Audit & Corporate Pty Ltd ABN 33 121 222 802</p> <p>Level 1 12 Kings Park Road West Perth WA 6005</p> <p>PO Box 44 West Perth WA 6872</p> <p>T +61 8 9226 4500 F +61 8 9226 4300 www.bentleys.com.au</p> <p><i>Phillip Rix</i></p> <p>PHILLIP RIX FCA, F.Fin. Director</p> <p> GLOBAL ALLIANCE OF INDEPENDENT FIRMS</p>
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Office of the Auditor General

Income Statement

for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
COST OF SERVICES			
Expenses			
Employee benefits expense	7	8 478	8 793
Supplies and services	8	6 756	5 531
Depreciation and amortisation expense	9	388	417
Accommodation expenses	10	730	708
Capital user charge	11	0	153
Loss on disposal of non-current assets	12	0	32
Other expenses	13	49	20
Total cost of services		<u>16 401</u>	<u>15 654</u>
Income			
Revenue			
Other revenue	14	25	23
Total revenue		<u>25</u>	<u>23</u>
Total income other than income for State Government		<u>25</u>	<u>23</u>
NET COST OF SERVICES		16 376	15 631
INCOME FROM STATE GOVERNMENT			
Service appropriation		16 641	15 389
Liabilities assumed by the Treasurer		0	82
Resources received free of charge		9	15
Total income from State Government	15	<u>16 650</u>	<u>15 486</u>
SURPLUS / (DEFICIT) FOR THE PERIOD		274	(145)

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

Office of the Auditor General

Balance Sheet

as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	25	1 649	957
Receivables	17	641	638
Amounts receivable for services	18	736	513
Total Current Assets		<u>3 026</u>	<u>2 108</u>
Non-Current Assets			
Restricted cash and cash equivalents	16	92	61
Property, plant and equipment	19	576	896
Intangible assets	20	482	111
Total Non-Current Assets		<u>1 150</u>	<u>1 068</u>
TOTAL ASSETS		4 176	3 176
LIABILITIES			
Current Liabilities			
Payables	22	1 000	609
Provisions	23	1 629	1 246
Total Current Liabilities		<u>2 629</u>	<u>1 855</u>
Non-Current Liabilities			
Provisions	23	226	382
Total Non-Current Liabilities		<u>226</u>	<u>382</u>
TOTAL LIABILITIES		2 855	2 237
NET ASSETS		1 321	939
EQUITY			
Contributed equity		737	629
Accumulated surplus/(deficiency)		584	310
TOTAL EQUITY	24	1 321	939
TOTAL LIABILITIES AND EQUITY		4 176	3 176

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 2008

	Note	2008 \$'000	2007 \$'000
Balance of equity at start of period		939	1 084
CONTRIBUTED EQUITY			
Balance at start of period		629	629
Capital contribution		108	0
Other contributions by owners			
Distributions to owners			
Balance at end of period	24	<u>737</u>	<u>629</u>
ACCUMULATED SURPLUS			
Balance at start of period		310	455
Surplus/(deficit) for the period		274	(145)
Balance at end of period	24	<u>584</u>	<u>310</u>
BALANCE OF EQUITY AT END OF PERIOD		1 321	939
Total income and expense for the period		274	(145)

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 2008

	Note	2008 \$'000	2007 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		16 055	14 893
Capital contributions		108	0
Holding account drawdowns		363	429
Net cash provided by State Government		16 526	15 322
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(8 184)	(8 860)
Supplies and services		(5 871)	(5 303)
Capital User Charge		0	(120)
Accommodation		(730)	(705)
GST payments on purchases		(1 021)	(1 047)
Other payments		(43)	(586)
Receipts			
GST receipts on sales		25	26
GST receipts from taxation authority		348	771
Other receipts		25	23
Net cash provided by / (used in) operating activities	25	(15 451)	(15 801)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(352)	(622)
Net cash provided by / (used in) investing activities	19 & 20	(352)	(622)
Net increase/(decrease) in cash and cash equivalents		723	(1 101)
Cash and cash equivalents at the beginning of period		1 018	2 119
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	25	1 741	1 018

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 2008

	2008 Estimate \$'000	2008 Actual \$'000	Variance \$'000	2008 Actual \$'000	2007 Actual \$'000	Variance \$'000
DELIVERY OF SERVICES						
Item 39 net amount appropriated to deliver services (i)	15 770	16 157	(387)	16 157	14 836	1 321
Amount authorised by other statutes <i>Salaries and Allowance Act 1975</i>	483	484	(1)	484	477	7
Total appropriations provided to deliver services	16 253	16 641	(388)	16 641	15 313	1 328
CAPITAL						
Item 140 Capital Contribution	108	108	0	108	0	108
GRAND TOTAL	16 361	16 749	(388)	16 749	15 313	1 436
Details of Expenses by Service						
Performance Auditing	16 144	16 401	(257)	16 401	15 501	900
Total Cost of Services	16 144	16 401	(257)	16 401	15 501	900
Less total income	(20)	(25)	5	(25)	(23)	(2)
Net Cost of Services	16 124	16 376	(252)	16 376	15 478	898
Adjustments (ii)	129	265	(136)	265	(165)	430
Total appropriations provided to deliver services	16 253	16 641	(388)	16 641	15 313	1 328
Capital Expenditure						
Purchase of non-current physical assets	108	352	(244)	352	622	(270)
Adjustments for other funding sources	0	(244)	244	(244)	(622)	378
Capital Contribution (appropriation)	108	108	0	108	0	108
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered Income	12 243	12 695	(452)	12 695	11 772	923

(i) Following the enactment of the *Financial Management Act 2006*, agencies are no longer required to pay the Capital User Charge. For comparative purposes, the impact of Capital User Charge has been removed from the 2007 Actuals (\$76 000).

(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 35 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2008 and between actual results for 2007 and 2008.

Office of the Auditor General

Notes to the Financial Statements

for the year ended 30 June 2008

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.

2 Australian Equivalents to International Financial Reporting Standards

General

The Office's financial statements for the year ended 30 June 2008 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 Australian Accounting Standards Board (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 2008.

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, Statements 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 2006* 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 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 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 38 'Administered expenses and income' and note 39 '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 2007-08 Budget Statements, the Office retained \$25 000 in 2008 (\$23 000 in 2007) 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 that reflects the consumption of their future economic benefits.

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

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

(g) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing over \$1 000 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 \$1 000 is expensed in the year of acquisition.

(h) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet 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, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

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 holds operating lease arrangements for office accommodation, certain equipment and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held. 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.

(i) Financial Instruments

The Office has two categories of financial instrument:

- Receivables (including cash and cash equivalents); and
- Non trading financial liabilities (payables).

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services

Financial Liabilities

- Payables
- Amounts due to the Treasurer

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 22 'Payables') 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 partly 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 leave entitlements and asset replacement.

(n) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (ie impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 3(ii) '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(ii) '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 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 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.

Purchased leave

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

Superannuation

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

Employees may contribute to the Pension Scheme, a defined benefit 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 the 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 (ie 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)
- (b) Defined contribution plans – Employer contributions paid to the GSS (concurrent contributions), West State Superannuation Scheme (WSS), and the GESB Super Scheme (GESBS).

Defined benefit plans – in order to reflect the true cost of services, the movements (ie 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 Office's true cost of services, 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 income 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

No judgements have been made in the process of applying accounting policies that have 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 and residual value of key assets.

6 Disclosures 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 2007 that impacted on the Office:

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 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments and while there is no financial impact, the changes have resulted in increased disclosures, both quantitative and qualitative, of the Office's exposure to risks, including enhanced disclosure regarding components of the Office's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements

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 and which may impact the Office but are not yet effective. Where applicable, the Office plans to apply these Standards and Interpretations from their application date:

1. AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Office does not expect any financial impact when the Standard is first applied.
2. AASB 1050 'Administered Items' (December 2007)
3. AASB 1052 'Disaggregated Disclosures' (December 2007)

7 Employee Benefits Expense

	2008 \$'000	2007 \$'000
Salaries (a)	6 634	7 007
Superannuation – defined contribution plans (b)	689	722
Superannuation – defined benefit plans (c) (d)	0	82
Annual leave (e)	843	755
Long Service Leave (e)	312	226
	<u>8 478</u>	<u>8 793</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, Gold State and GESB Super Scheme (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

	2008 \$'000	2007 \$'000
Contracted audit work	5 102	3 986
Other services and contracts	409	445
Communications	74	74
Consumables	110	128
Repairs and maintenance	282	233
Administration	311	267
Other staffing costs	284	251
Advertising	42	20
Lease expenses	132	114
Other	10	13
	<u>6 756</u>	<u>5 531</u>

9 Depreciation and Amortisation Expense

	2008 \$'000	2007 \$'000
Depreciation		
Office and computer equipment	311	363
Furniture and fittings	30	29
Total depreciation	<u>341</u>	<u>392</u>
Amortisation		
Intangible assets	47	25
Total amortisation	<u>47</u>	<u>25</u>
Total depreciation and amortisation	<u>388</u>	<u>417</u>

10 Accommodation Expenses

	2008 \$'000	2007 \$'000
Office rent	453	468
Office parking	90	62
Monthly outgoings	187	178
	<u>730</u>	<u>708</u>

11 Capital User Charge

	2008 \$'000	2007 \$'000
Capital user charge	<u>0</u>	<u>153</u>

The charge was a levy applied by Government for the use of its capital. The final charge was levied in 2006-07.

12 Net Gain/(Loss) on Disposal of Non-Current Assets

	2008 \$'000	2007 \$'000
Costs of Disposal of Non-Current Assets		
Office and computer equipment	0	32
Net Gain/(Loss)	<u>0</u>	<u>(32)</u>

13 Other Expenses

	2008 \$'000	2007 \$'000
Employment on-costs ^(a)	18	9
Audit fee ^(b)	31	11
	<u>49</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 28 'Remuneration of auditor'.

14 Other Revenue

	2008 \$'000	2007 \$'000
Contributions for use of motor vehicles	22	22
Miscellaneous	3	1
	<u>25</u>	<u>23</u>

15 Income from State Government

	2008 \$'000	2007 \$'000
Appropriation received during the year:		
Service appropriations ^(a)	16 641	15 389
	<u>16 641</u>	<u>15 389</u>
The following liabilities have been assumed by the Treasurer during the financial year:		
Superannuation ^(b)	0	82
Total liabilities assumed by the Treasurer	<u>0</u>	<u>82</u>
Resources received free of charge (c)		
Determined on the basis of the following estimates provided by agencies:		
State Solicitor's Office	9	15
Total resources received free of charge	<u>9</u>	<u>15</u>
Total income from State Government	<u>16 650</u>	<u>15 486</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 liability for 2008 is zero and this is due to the reduction in the liability at 30 June 2008 compared to the liability that existed at 30 June 2007. (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. The exception occurs where the contribution of assets or services are in the nature of contributions by owners, in which case the Office makes the adjustment direct to equity.

16 Restricted Cash and Cash Equivalents

	2008 \$'000	2007 \$'000
Non-current		
Accrued salaries suspense account ^(a)	92	61

(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

	2008 \$'000	2007 \$'000
Current		
Receivables	451	38
Other receivables	0	4
GST receivables	169	457
	620	499
Prepayments	21	139
Total Current	641	638

18 Amounts Receivable for Services

	2008 \$'000	2007 \$'000
Current	736	513

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

	2008 \$'000	2007 \$'000
FURNITURE AND FITTINGS		
At cost	333	333
Accumulated depreciation	(140)	(110)
	<u>193</u>	<u>223</u>
OFFICE AND COMPUTER EQUIPMENT		
At cost	1 927	1 913
Accumulated depreciation	(1 544)	(1 240)
	<u>383</u>	<u>673</u>
	<u>576</u>	<u>896</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
2008	\$'000	\$'000	\$'000
Carrying amount at start of year	223	673	896
Additions	0	24	24
Disposals	0	(3)	(3)
Depreciation	(30)	(311)	(341)
Carrying amount at end of year	<u>193</u>	<u>383</u>	<u>576</u>

	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	(29)	(363)	(392)
Carrying amount at end of year	<u>223</u>	<u>673</u>	<u>896</u>

20 Intangible Assets

	2008 \$'000	2007 \$'000
Computer software		
At cost	555	137
Accumulated amortisation	(73)	(26)
	<u>482</u>	<u>111</u>
Reconciliations:		
Software		
Carrying amount at start of year	111	62
Additions	418	74
Amortisation expense	(47)	(25)
Carrying amount at end of year	<u>482</u>	<u>111</u>

21 Impairment of Assets

There were no indications of impairment to property, plant and equipment and intangible assets as at 30 June 2008.

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

	2008 \$'000	2007 \$'000
Current		
Accrued expenses	175	151
Accrued salaries	56	32
Work in progress contractors payments	769	426
	<u>1 000</u>	<u>609</u>

See also note 3(o) 'Payables' and note 36 'Financial instruments'.

23 Provisions

	2008 \$'000	2007 \$'000
Current		
Employee benefits provision:		
Annual leave (a)	650	627
Long service leave (b)	951	619
Purchased leave (c)	28	0
	<u>1 629</u>	<u>1 246</u>
Non-Current		
Employee benefits provision:		
Long service leave (b)	226	382
	<u>226</u>	<u>382</u>
(a) Annual Leave		
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	650	627
More than 12 months after balance sheet date	0	0
	<u>650</u>	<u>627</u>
(b) Long Service Leave		
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	492	189
More than 12 months after balance sheet date	685	812
	<u>1 177</u>	<u>1 001</u>
(c) Purchased Leave		
Within 12 months of balance sheet date	28	0
More than 12 months after balance sheet date	0	0
	<u>28</u>	<u>0</u>

24 Equity

	2008 \$'000	2007 \$'000
Contributed Equity		
Balance at the start of the year	629	629
Contributions by owners		
Capital contribution	108	0
Total contributions by owners	<u>108</u>	<u>0</u>
Balance at the end of the year	<u>737</u>	<u>629</u>
Accumulated surplus/(deficit)		
Balance at the start of the year	310	455
Result for the period	274	(145)
Balance at the end of the year	<u>584</u>	<u>310</u>
TOTAL EQUITY	<u>1 321</u>	<u>939</u>

25 Notes to the Cash Flow Statement

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

	2008 \$'000	2007 \$'000
Cash and cash equivalents	1 641	957
Cash advances	8	0
	<u>1 649</u>	<u>957</u>
Restricted cash and cash equivalents (refer to note 16)	92	61
	<u>1 741</u>	<u>1 018</u>
Net cost of services	(16 376)	(15 631)
Non-cash items:		
Depreciation and amortisation expense	388	417
Liabilities assumed by the Treasurer	0	82
Resources received free of charge	9	15
Trade-in of assets	0	73
Net (gain)/loss on sale of non-current assets	0	32
(Increase)/decrease in assets:		
Current receivables	(290)	109
Increase/(decrease) in liabilities:		
Current payables	302	100
Current provisions	384	(62)
Other current liabilities	0	(735)
Non-current provisions	(156)	50
Change in GST in receivables/payables	288	(250)
Net cash provided by/(used in) operating activities	<u>(15 451)</u>	<u>(15 801)</u>

26 Commitments

	2008 \$'000	2007 \$'000
Private Sector Contracts Commitments		
Expenditure commitments in relation to audit services contracted as at balance sheet date but not recognised as liabilities are payable as follows:		
Within one year	5 000	3 804
Later than one year but not later than five years	3 870	1 321
Later than five years	0	0
	<u>8 870</u>	<u>5 125</u>
Non-cancellable operating Lease Commitments		
Commitments for minimum lease payments are payable as follows:		
Within one year	1 182	647
Later than one year but not later than five years	3 438	2 272
Later than five years	0	92
	<u>4 620</u>	<u>3 011</u>

* These commitments are all inclusive of GST

27 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 and other benefits for the financial year, fall within the following bands are:

	2008	2007
\$ 80 001 - 90 000	0	1
\$110 001 - 120 000	1	0
\$120 001 - 130 000	2	0
\$130 001 - 140 000	2	2
\$140 001 - 150 000	1	0
\$150 001 - 160 000	0	2
\$180 001 - 190 000	1	0
\$220 001 - 230 000	0	1
\$250 001 - 260 000	0	1
\$310 001 - 320 000	1	0
	<u>2008 \$'000</u>	<u>2007 \$'000</u>
The total remuneration of senior officers is:	<u>1 280</u>	<u>896</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.

28 Remuneration of Auditor

An independent auditor is appointed by the Governor under section 38(2) of the *Auditor General Act (2006)* to audit the accounts, financial statements and performance indicators of the Office and the fee is paid by this Office

2008
\$'000

2007
\$'000

31

11

The expense is included at note 13 'Other Expenses'.

29 Resources Provided Free of Charge

During the year, audit services were provided free of charge to a number of departments, authorities and for request audits.

2008
\$

2007
\$

Agricultural Practices Board of Western Australia

1 252

1 456

Albany Cemetery Board

6 434

Bunbury Cemetery Board

1 559

4 706

Chemistry Centre (WA)

1 168

Chowerup Cemetery Board

956

Department for Communities

2 357

Dwellingup Cemetery Board

744

Friends of WCHS Inc

21

1 204

Geraldton Cemetery Board

145

4 662

Housing Authority

327

250

Kalgoorlie-Boulder Cemetery Board

5 177

Keystart Scheme Management Pty Ltd

17

Landcare Trust

119

1 026

Legal Aid and Others in Trust

1 038

Numbers Investments Pty Ltd

1 151

Professional Standards Council

512

Sir Charles Gairdner Foundation Trust

5332

South Caroling Cemetery Board

1 128

State Grants (Petroleum Products) Act 1865

670

6 965

36 446

30 Contingent Liabilities and Contingent Assets

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

31 Events Occurring After the Balance Sheet Date

A media statement released on 15 August 2008 by the Department of Consumer and Employment Protection established a claim for back pay as a result of the CPSU/CSA acceptance of the Government's latest offer, collectively referred to as General Agreement 4 (GA4).

This claim, when signed and lodged with the Western Australian Industrial Relations Commission, is estimated to result in salary back payments approximating \$125,000 as at 30 June 2008. This amount has not been accrued in the financial statements.

32 Related Bodies

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

33 Affiliated Bodies

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

34 Special Purpose Accounts

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

35 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 2008 – Total appropriation to deliver services.

	2008 Estimate \$'000	2008 Actual \$'000	Variation \$'000
Total appropriations provided to deliver services	14 696	16 641	1 945

The variance in the total amount appropriated to deliver services was primarily due to extra funding for additional audit fees to private sector audit contractors.

(ii) Significant variances between actuals for 2007 and 2008 – Total appropriation to deliver services.

	2008 \$'000	2007 \$'000	Variation \$'000
Total appropriations provided to deliver services	16 641	15 313	1 328

The variance is due to additional funding required for payments to contractors for audit services. Additional contractors were engaged to assist in complying with the Government approved 90 day reporting timeframe and additional audit hours undertaken. The increase in net appropriation provided was offset in part by increased administered revenue remitted to the Consolidated Account.

(iii) Significant variances between estimate and actual for 2008 – Capital Contribution.

	2008 Estimate \$'000	2008 Actual \$'000	Variation \$'000
Purchase of non-current physical assets (cash)	108	352	244
Purchase of non-current physical assets (accrual)	108	442	334

The total funding for 2007-08 capital works program is \$618 000. This amount comprised funding for the year of \$471 000 and a carryover from 2006-07 of \$147 000. Actual cash capital expenditure for 2007-08 is \$352 000. Remaining funds of \$266 000 will be carried forward to 2008-09 for the balance of progress payments on the Practice Management System.

(iv) Significant variances between actuals for 2007 and 2008 – Capital Contribution.

	2008 Actual \$'000	2007 Actual \$'000	Variation \$'000
Purchase of non-current physical assets	442	622	180

Capital expenditure has decreased by \$180 000 between years. There is no roll out of laptop computers for the current year and the progress payments for the implementation of the Practice Management System will continue into the 2008-09 financial year.

(v) Significant variances between estimate and actual for 2008, and actuals for 2007 and 2008 – Administered income.

	2008 Estimate \$'000	2008 Actual \$'000	Variation \$'000
Administered income	12 243	12 695	452

	2008 Actual \$'000	2007 Actual \$'000	Variation \$'000
Administered income	12 695	11 772	923

The variance between 2008 Estimate and Actual is due to additional work required for audits performed.

The variance between 2008 and 2007 Actuals is due to an increase in the number of contracted audits and additional work undertaken.

36 Financial Instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Office are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. All of the Office's cash is held in the public bank account (non-interest bearing). The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office. The Office transacts only with recognised, creditworthy third parties. In addition, receivable balances are monitored on a regular basis with the result that the Office's exposure to credit risk is minimal. There are no significant concentrations of credit risk.

The maximum exposure to credit risk as at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in note 17 and 18.

Liquidity Risk

The Office is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due.

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

Market Risk

The Office is not exposed to interest rate risk as all cash and cash equivalents and restricted cash and cash equivalents are non-interest bearing. The Office has no borrowings other than a number of operating leases. See note 26.

(b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

	2008 \$'000	2007 \$'000
Financial Assets		
Cash and cash equivalents	1 649	957
Receivables	1 377	1 151
Restricted cash and cash equivalents	92	61
Financial Liabilities		
Financial liabilities measured at amortised cost	1 000	609

Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

37 Supplementary Financial Information

	2008 \$'000	2007 \$'000
Write-Offs		
During the financial year nil (2007: \$3) was written off the Office's asset register under the authority of:		
The Accountable Authority	0	3
Losses through theft, defaults and other causes		
Losses of public moneys and, public and other property through theft or default	0	0
Amount recovered	0	0
Gifts of public property		
Gifts of public property provided by the Office	0	0

38 Administered Expenses and Income

	2008 \$'000	2007 \$'000
Expenses		
Receipts paid into Consolidated Account	12 557	12 569
Total Administered Expenses	12 557	12 569
Income		
Fees for Audit Services (a)	12 695	11 772
Total Administered Income	12 695	11 772

39 Administered Assets and Liabilities

	2008 \$'000	2007 \$'000
Current Assets		
Cash and cash equivalents	42	145
Receivables and accrued fees (a) (b)	4 514	4 365
Total Administered Current Assets	4 556	4 510
Current Liabilities		
GST Payable	17	110
Total Administered Current Liabilities	17	110

Notes to Administered Items

- (a) Fees for Audit Services in 2008 includes accrued fees valued at \$4 303 904 (2007: \$4 226 196). Accrued fees are calculated in accordance with the percentage of audit completed as at 30 June 2008. 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.
- (b) Administered income received is returned to the Treasurer, net of GST and banked into the Consolidated Account.

Office of the Auditor General

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 2008.

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.



COLIN MURPHY
ACCOUNTABLE AUTHORITY

26 August 2008

Office of the Auditor General

Independent Auditor's Opinion

Performance Indicators for the year ended 30 June 2008

Bentleys
Thinking ahead

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

**OFFICE OF THE AUDITOR GENERAL
PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008**

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED PERFORMANCE INDICATORS

This audit report relates to the performance indicators of the Office of the Auditor General for the year ended 30 June 2008 included on the Office of the Auditor General's web site. The Accountable Officer is responsible for the integrity of the Office of the Auditor General's web site. The audit report refers only to the performance indicators named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these performance indicators. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited performance indicators to confirm the information included in the audited performance indicators presented on this web site.

SCOPE

I have audited the key effectiveness and efficiency performance indicators of the Office of the Auditor General for the year ended 30 June 2008 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.

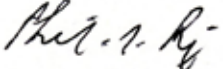
My audit was performed in accordance with section 40 of the Auditor General Act 2006 to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures the performance indicators, and assessing the 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 2008.



BENTLEYS
Chartered Accountants


PHILLIP RIX FCA, F.Fin.
Director

DATED at PERTH this 21 day of August 2008


Chartered Accountants
NUMBER ONE IN NUMBERS

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Performance Indicators

Government Goal

Developing and maintaining a skilled, diverse and ethical public sector serving the government with consideration of the public interest.

Desired Outcome

An informed Parliament on public sector accountability and performance.

Service

Performance Auditing.

Key Effectiveness Indicators

All Members of Parliament are surveyed each year to determine the extent to which the Office's reports and services fulfil the needs of Parliament. Specific questions relating to the achievement of the Office's effectiveness indicators are asked and reported below.

Agreement in Parliamentary survey that:	2004-05 %	2005-06 %	2006-07 %	2007-08 Actual %	2007-08 Target %
✓ the Office of the Auditor General is effective in achieving its desired outcome of informing Parliament on public sector accountability and performance of the public sector	80	92	78	90	80
✓ reports dealt with matters of significance to Parliament	90	85	89	94	90
✓ services and reports of the Office of the Auditor General are useful to Parliament	78	89	89	90	90

Table 1

Key Efficiency Indicators

The key efficiency indicators incorporate the cost and quantity units of the Office's service: Performance Auditing. They also gauge the overall efficiency in achieving the desired outcome: An informed Parliament on public sector accountability and performance.

	2004-05 Actual \$	2005-06 Actual \$	2006-07 Actual \$	2007-08 Actual \$	2007-08 Target \$
Average cost per matter of significance ^(a)	50 781	29 600	32 522	47 750	49 508
Average cost per major audit ^(b)	128 293	134 979	137 039	154 352	154 235
Average cost per other audit	17 265	23 192	25 646	27 349	26 466

Table 2

- a) The increase in cost from 2006-07 to 2007-08 Actuals is due to an increase in the complexity of reports provided to Parliament. This both reduced the number of matters of significance and increased the amount of work required to produce each report. Further, two reports expected to be tabled in 2007-08 were not tabled until early 2008-09 (further reducing the number of matters of significance).
- b) Major audits are defined as those involving a significant size of audit effort, agencies with a central coordinating role and/or agencies with operational sensitivity.

Explanatory Notes for Performance Indicators

How were the performance indicators derived?

Key effectiveness indicators

Effectiveness indicators are measured via an annual survey of all Members of Parliament administered by an independent consultant. The survey results do not identify individual respondents, and the indicators are calculated as the per cent of survey respondents who answered either 'agree' or 'strongly agree' to the relevant questions.

All 91 Members of Parliament were invited to participate in the 2008 survey. Follow-ups were made until an outcome was reached – either a willingness or refusal to participate. This year's response rate increased to 45 per cent (from 41 per cent in 2007).

Three measures are used 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
- ✓ services and reports were useful to Parliament.

Key efficiency indicators

Cost per matter of significance

Key efficiency indicators are formulated to measure the cost per quantity unit. Quantity measures used to calculate key efficiency indicators are extracted from the Office's Resource Management Information System and departmental files. The total cost for 2007-08 has been derived from the Office's Financial Management Information System. Each project is costed by a Cost Allocation Model using labour hours and direct costs, and an allocation of indirect costs.

Matters of Significance (MoS) are the key findings contained in reports submitted to Parliament. 'Key Findings' are defined as those issues a general parliamentary reader would take away from a report after the detail of specific findings have receded into the background. MoS are included in all the Auditor General's reports tabled in Parliament under s24 and s25 of the *Auditor General Act 2006*.

Draft MoS are subject to internal review and the final MoS are determined by the Auditor General. Generally, MoS are identified in the report's Executive Summary and listed as Key Findings in the body of the report.

Cost per audit

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. Therefore, two average costs are calculated:

- ✓ major audits – the largest and/or more complex and sensitive financial audits undertaken each year. These agencies cover approximately 96 per cent of State assets.
- ✓ other audits – the remaining smaller, less complex and/or sensitive financial audits.

What are the variations from previous indicators?

Key effectiveness indicators

The data for this year's survey of Members of Parliament has again been weighted by government/non-government status. The percentage results were calculated for each question for each group. The results were then aggregated by multiplying the group results by the share of the Parliamentary population accounted for by the group. The weighted data is therefore a weighted average of the raw data grouped by government/non-government status.

Key efficiency indicators

There have been no adjustments to the calculation of key efficiency indicators since the 2004-05 changes documented in previous Annual Reports.

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

The Office's desired outcome for 2007-08 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.

The effectiveness of informing Parliament is directly measured by surveying Members' satisfaction with the Auditor General's reports, service and his contribution to public sector accountability and performance.

The key efficiency indicators incorporate cost and quantity measures of the Office's service (Performance Auditing). They gauge the overall efficiency in achieving the desired outcome of an informed Parliament on public sector accountability and performance. MoS are included in all reports tabled in Parliament under s24 and s25 of the *Auditor General Act 2006*.

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 unit costs and results are presented as dollar averages.

Results for both effectiveness and efficiency can be directly compared with the respective performance of previous years. (However, it should be noted a proportion of the MoS identified during the financial year result from work which occurred in the previous financial year. This affects 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

In 2007-08, each of the three effectiveness indicators showed improvements on the 2006-07 results and also matched or exceeded the targets. This is a significant achievement.

- Ninety per cent of respondents indicated the Office's services and reports are useful to Parliament. This is a similar result to the previous year, and the target for 2007-08 was therefore adjusted upwards from eighty to ninety per cent.
- The same proportion of respondents indicated the Office is effective in achieving its desired outcome.
- Ninety-four per cent of respondents agreed the Auditor General's reports deal with matters of significance to Parliament.

The challenge, as in previous years, is for the Office to maintain an effective participation rate. In 2007-08 we received 41 responses out of the 91 Parliamentarians approached (45 per cent). This response rate is higher than for 2006-07 and is considered both reliable for statistical purposes and in line with response rates for similar surveys conducted in other Australian jurisdictions.

Key Efficiency Indicators

The average cost for each of the 79 MoS reported to Parliament in 2007-08 was \$47 750. This was 3.5 per cent below the target for 2007-08, although a significant increase from 2006-07 (explained in footnote (a)).

The average cost per major audit was almost exactly on target. As expected, it was significantly higher than for 2006-07 due to increases in resourcing pressures on the Office noted elsewhere in this Annual Report. The average cost per other (ie non-major) audits was slightly higher than targeted and also higher than for 2006-07.

Other Financial Disclosures

Pricing Policies

The Office's fee model only invoices agencies for financial audits, although our fees incorporate a loading to recover one-third of our compliance audit work.

The fees are based on the hours required to do each financial audit. Where a contractor conducts the audit on the Office's behalf, the Office's fees are based on the contractor's fees.

The model also assumes:

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

Capital Works Expenditure Summary

In 2007-08 actual capital expenditure totalled \$442 000, almost \$29 000 less than the Total Estimated Expenditure of \$471 000 referred to in the budget papers. The main reason for the variation was the incompletion of two major Capital Works Projects, which have been carried forward into 2008-09.

Completion of the two projects carried forwards into 2008-09 will cost an estimated total of \$90 000:

- ✓ eTrack Practice Management System – \$30 000
- ✓ Intranet Replacement Project – \$60 000

Capital Works Funding Allocations

2007-08 Budget Allocation	\$471 000
Approved Carried Forward from 2006-07	\$147 000
Total CW Budget for 2007-08	\$618 000

Capital Works Projects Incomplete	2007-08 FYTD
Two Capital projects were in progress at the end of 2007-08:	
✓ eTrack Practice Management System	\$342 000
✓ Intranet Replacement Project	\$48 000
	\$390 000

The largest capital project implemented in 2007-08 was the Peripheral Enhancement Project. The total cost was \$34 000 compared to an estimated total cost of \$115 000 at 1 July 2007.

The remaining \$18 000 was spent on:	
✓ Mobile Email Project	\$15 000
✓ Accommodation Project	\$3 000
	\$18 000
Actual Capital Expenditure 2007-08	\$442 000
Balance at end of financial year	\$176 000

Employees

Employees by Division at June 2008¹

	2007	2008	Difference
Auditor General Unit ²	6	6	0
Assurance Services Division	60	40	-20
Performance Review Division	21	17	-4
Compliance and Information Systems	12	14	+2
Standards and Quality Division	4	4	0
Strategy Policy and Innovation Division	26	25	-1
Total	129	106	-23

¹ Includes 'inoperative' staff (ie on secondment, parental leave and leave without pay).

² Includes the Auditor General, Deputy Auditor General and support staff.

Table 21

Table 21 reflects the agency staffing profile contributing to the Equity Index.

The Office's representation of all groups except indigenous Australians and youth was above both community and public sector representation in 2008. The representation of youth was well above that of the general public sector, reflecting the Office's strong commitment to graduate recruitment. As in previous years, we have relied on our Graduate Program to fill our base level auditor positions and again met our target in appointing 10 graduates into our three year structured Graduate Development Program. After one year, the retention rate for these graduates was 60 per cent.

Categories	Actual 2004 %	Actual 2005 %	Actual 2006 %	Actual 2007 %	Actual 2008 %	2008 Public Sector Representation %	Community Representation %
Women	50	52.2	55	27	57		49.7
Indigenous Australians	2.7	0.8	0.9	0.8	0.8	3.0	3.2
People from Culturally Diverse Backgrounds	17.3	20	24.3	30.5	50	11.75	17
Disabilities	1.8	5.1	4.7	3.1	4.3	3.6	4
Youth	9	17	11.2	12	9.6	7.5	11.5

Table 21

Equity Index

A key factor in our success is having an ethical and equitable workplace free from bias, which values diversity and encourages both individual and collective achievement. 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 to the total workforce, the Equity Index is 100. An index of less than 100 indicates the group is concentrated at lower employment 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 performance against these benchmarks is shown in Table 22.

Continuing to improve the Equity Index for Office is a priority.

Categories	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Public Sector Target 2009
Women	49	62	59	70	66	78
People from Culturally Diverse Backgrounds	72	78	59	79	60	100

Table 22

Employee Relations

The Office continued to operate over the course of the year in a cooperative industrial climate supported by an Office Consultative Committee. The Committee meets quarterly to discuss issues which affect staff, to provide the Executive with comments on staff related policies and procedures, and to have input into the development and monitoring of Equal Opportunity and Disability Inclusion Access Plans.

The Office also provides a confidential and independent Employee Assistance Program which can be accessed by employees and immediate family members. De-identified data and reports on usage are received, enabling the Office to detect trends in employee issues.

Employees have access to grievance procedures for breaches of public sector standards and unfair treatment. In 2007-08 the Office received one claim for a breach of standards in relation to recruitment, which was withdrawn by the complainant during the conciliation period. The Office also received a grievance alleging unfair treatment, which was independently investigated and not upheld.

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 any substantial interests, had any interests in existing or proposed contacts with the office and senior officers.

Other Employment

Under Schedule 1, Clause 3 of the AG Act, the Auditor General must not, except so far as authorised by law or by resolutions of both Houses of Parliament, hold certain offices, places or positions referred to the *Constitution Acts Amendment Act 1899*. The Schedule also prohibits the Auditor General from engaging in any paid employment outside the duties of the Office of the Auditor General.

At no time while acting as the Auditor General or since my appointment to that office have I engaged in any paid employment outside the duties of my office. I am also a member of the State Records Commission, as authorised by the *State Records Act 2000*, section 58n (a).

Other Legal Requirements

Statement of Compliance with *Electoral Act 1907* section 175ZE (Advertising)

In compliance with this section I submit the following information:

- 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.
- Office expenditure during 2007-08 related to advertising for job vacancies, the conduct of agency and parliamentary surveys, the Office's contribution to the Australian Council of Auditors-General's (ACAG) macro benchmarking survey and focus group research for a performance examination. The details were as follows:

Advertising Agencies		\$40 276.65
Marketforce	\$40 276.65	
Market Research Organisations		\$61 748.18
Orima Research	\$37 930.00	
Govmetrica	\$23 818.18	
Polling Organisations		\$0
Direct Mail Organisations		\$0
Media Advertising Organisations		\$0
Total Expenditure		\$102 024.83

Expenditure on advertising rose by eight per cent from 2006-07 to 2007-08 with the increase mainly associated with recruitment, which is directly linked with the attrition rate and labour market factors.

Statement of Compliance with *Disability Services Act 1993*

The Office of the Auditor General supports the principles of equity of access to services and facilities for people with disabilities. This is achieved through the Office's Disability Access and Inclusion Plan which has been in operation since 1995 and which meets both our statutory requirements under the *WA Disability Services Act (1993)* and our obligations under the *Commonwealth Disability Discrimination Act (1992)*.

Our Plan continues to be updated to reflect changes in the needs of people with disabilities, with annual monitoring of outcomes being achieved against objectives. Examples of activities include making reports available in various formats and providing advice on the availability of the National Relay Service (TTY). Our internet and intranet websites are currently being upgraded and will feature an ability to increase the font size.

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. One application was made for a breach of the Recruitment, Selection and Appointment Standard in 2007-08. This application was withdrawn by the complainant during the conciliation period.
3. Significant actions taken to monitor and ensure compliance for the reporting period were:
 - ✓ Information about the Standards, the WA Code of Ethics and the Office's Code of Conduct is part of the Office's induction materials and on the Offices' 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.

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). The Recordkeeping Plan (including the Retention and Disposal Schedule) was reviewed and re-submitted to the State Records Office in March 2008.

State Records Commission Requirement	Office Response
The efficiency and effectiveness of the Organisation's recordkeeping system is evaluated not less than once every five years.	During 2008 an internal audit was conducted on the recordkeeping systems within the Office. The audit confirmed that the Office's recordkeeping system was operating in compliance with its Recordkeeping Plan and Retention and Disposal Schedule.
The Organisation conducts a recordkeeping training program.	Training continues to be a priority and is addressed through the induction process with all new employees. All new employees are referred to the SRO guidelines 'Recordkeeping in Western Australia: Who is responsible. A guide for Government employees and contractors' that is published to the Office intranet. In addition, during 2008, an all staff session on 'Driving an Electronic Document Management System (EDRMS)' was held. This was part of the Office's monthly seminar series and was designed to highlight recordkeeping practices in a 'fun and informal' manner. A specialised training session in 'advanced searching techniques' was designed and held for the Performance Review Division.
The efficiency and effectiveness of the training program is reviewed from time to time.	The internal audit recommended a more formal training program with improved recording and reporting. This is planned for development in the coming year.
The Organisation's Induction program addresses employees' roles and responsibilities with regard to their compliance with the Organisation's recordkeeping plan.	The Office's Graduate Induction program is held on an annual basis and generalist sessions such as recordkeeping are made available to all employees. Individually recruited employees are given one-on-one induction and recordkeeping training in the EDRMS as required by their position.

Table 23

Government Policy Requirements

Corruption Prevention

The Office requires staff to sign an annual written declaration that stresses the need to maintain the highest personal and professional standards of conduct.

In 2006-07 the Declaration also incorporated the Office's Code of Conduct which requires staff to comply with all relevant legislation and policies: in particular, the *Auditor General Act 2006*, *Financial Management Act 2006*, the *Public Sector Management Act (1994)*, *Equal Opportunity Act (1984)* and the Office's policies, practices and procedures.

Substantive Equality

Substantive equality is a key component of the Office's Equal Employment Opportunity Management Plan with the principles of substantive equality embedded in recruitment policies and practices and aligned with our ethos and values. Substantive equality applies to the whole Office, with increased cultural diversity being experienced especially in the audit areas. The Office's EEO Plan is reviewed annually in consultation with the Office Consultative Committee, and progress against objectives is reported to the Corporate Executive. Induction and orientation programs also consider substantive equality.

Sustainability

In 2007-08 the Office reported on the following audits relating to environment and sustainability:

- Renewable Energy: Knowing What We Are Getting – November 2007
- Performance Examination of the Administration of Natural Resource Management Grants – November 2007
- Tracking Timber Logged From South-West Native Forests – September 2007
- Management of Native Vegetation Clearing – September 2007

Senior staff represented the Office at the International Organisation of Supreme Audit Institution's (INTOSAI) Regional Working Group on Environmental Auditing (RWGEA) in Melbourne in April 2008. This working group is an important opportunity for audit offices in the South Pacific region to share knowledge, skills and learning in the area of environment and sustainability auditing.

The Office also established a 'Green Team' in June 2008. The aim of the Green Team is to increase awareness of sustainable development issues, to assist employees in making choices that respect the environment and that promote sustainable development, and to reinforce the Office's efforts to economise on the use of resources and to minimise waste.

Occupational Safety and Health

Occupational Safety and Health and Injury Management Performance

The Office is committed to ensuring the well being of its employees. This commitment is outlined in the injury management policy which aims to facilitate, where possible, the safe and early return to meaningful productive work of any employee who suffers serious illness or injury. The policy and reporting requirements are available to staff via the intranet. In 2007-08 the Office recorded nil fatalities and one injury, which did not result in any lost time.

The Occupational Safety and Health Committee

The Office is committed to providing a safe work environment for its staff and visitors. An Occupational Safety and Health Committee and supporting policies and procedures assist the Office to meet this objective. The Committee comprises three safety and health representatives and one management representative.

Under the terms of the *Occupational Safety and Health Act (1984)*, the Committee is elected and representatives are appointed for a term of two years. Committee members receive formal training and all staff are advised of the contact details of representatives. Examples of activities in 2007-08 include policy review, regular hazard inspections, ergonomic assessments, investigating incidents and providing reports to Executive as to outcomes. New staff receive induction on OSH issues, including manual handling.

Statement of Compliance with the Injury Management Requirement of the *Workers' Compensation and Injury Management Act 1981*

The 2007-08 reporting year is the first time agencies have been required to include occupational safety, health and injury management information in their annual reports, in accordance with the Premier's Circular 2007/12: *Code of Practice: Occupational Safety and Health in the Western Australian Public Sector*.

Therefore, information is provided here on the Office's occupational safety, health and injury management performance, policies and initiatives. In particular:

- ✓ The Office is committed to ensuring the well being of its employees.
- ✓ An Occupational Safety and Health Committee has been set up to assist the Office in achieving its objectives.

- ✓ The committee is set up and operates in compliance with the *Occupational Safety and Health Act (1984)*.
- ✓ The Office has not experienced any situation to date which would require implementation of the injury management requirements of s1555C of the *Workers' Compensation and Injury Management Act 1981*.
- ✓ The Office is in the process of implementing systems to ensure workers who may suffer an injury compensable under the Act can access a return to work program that is in accordance with WorkCover WA's *Workers Compensation Code of Practice (Injury Management) 2005*.

Report on Annual OSH and Injury Management Performance 2007-08

Indicator	Target 2007-08	
Number of fatalities	Nil	Nil
LTI/D incidence rate*	1	Nil (or 10% reduction on previous year)
LTI severity rate	Nil	Nil (or 10% reduction on previous year)
Return to work	100%	Not specified
Managers trained in OSH and injury management	9%	Not specified
* LTI/D = lost time injury or disease		

Table 24

	2003-04	2004-05	2005-06	2006-07	2007-08
Frequency Rate					
LTI/D x 1 000 000 / Total Hours Worked	5.29%	5.34%	0	0	2.8
Incidence Rate					
Number of LTI/D x 100 / Total Employees	1.03	1.04	0	0	0.91
Average Lost Time Rate					
Number of lost days lost / Number of LTI/D	0	0	0	0	0
Estimated Cost of Claims / \$100 Payroll					
Estimated cost of claims x 100 / Total Payroll	0.03	0.04	0.14	0	0.01
Premium Rate					
Premium as a percentage of payroll	0.36	0.32	0.33	0.34	0.29
Rehabilitation Success					
Rehabilitation employees x 100 / Employees eligible for rehabilitation	100%	100%	100%	100%	100%

Table 25

Name, Method and Term of Appointment of Accountable Authority

Reporting under this heading ceased to be a requirement in 2006-07. However, the Office will continue to report on this matter as the Auditor General is an independent officer of Parliament and the *Auditor General Act 2006* introduced new arrangements for appointing an Auditor General, including consultation with Parliament and a strictly limited tenure.

Mr Colin Murphy was appointed Auditor General under the *Auditor General Act 2006* on 6 June 2007 after acting in the position from September 2006 to 5 June 2007. As prescribed in the Act, his appointment will end on 5 June 2017.

Exercise of Powers Conferred by Auditor General Act 2006

The AG Act conferred several new powers and duties on the Auditor General (AG). The following table provides information on their use.

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)	No related entities were audited in 2007-08
AG may audit any accounts that the Treasurer requests the AG to audit (s19)	Nine entities were audited in 2007-08 at the request of the Treasurer
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)	One audit was conducted in 2007-08 under s20 of the AG Act
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)	In his report to Parliament tabled 28 November 2007, the AG provided his opinion on the 42 ministerial notifications he received between 1 February and 19 November 2007

Audit Clients (at 30 June 2008)

Financial Statements Audits

Departments

Administration of the Legislative Assembly
Administration of the Legislative Council
Commissioner for Equal Opportunity
*Department for Child Protection
Department for Communities
*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 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 the Commissioner for Children and Young People
Office of the Director of Public Prosecutions
Office of the Information Commissioner
Office of the Inspector of Custodial Services
Office of the Public Sector Standards Commissioner

Parliamentary Commissioner for Administrative Investigations
*Western Australian Police Service
Western Australian Electoral Commission

Statutory Authorities

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
*Insurance Commission of Western Australia
Keep Australia Beautiful Council (WA)
Kimberley Development Commission
Kimberley TAFE
Landcare Trust
Law Reform Commission of Western Australia
Legal Aid Commission of Western Australia
Legal Contribution Trust
Legal Costs Committee
Local Health Authorities Analytical Committee
*Lotteries Commission
Metropolitan Cemeteries Board
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 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
*Rottneest Island Authority
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
 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
 Innovative Chiropractic Learning Pty Ltd (formally Murdoch ILO Pty Ltd)
 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 Investments Company Pty Ltd
 MurdochLINK Pty Ltd
 Murdoch Retirement Services Ltd
 Murdoch University Foundation
 Murdoch University Veterinary Centre Trust
 Murdoch Ventures 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

Friends of the WCHS Inc
 Government House Foundation of Western Australia (Inc)
 Ngala Inc
 SB Investment Trust
 Sir Charles Gairdner Foundation Trust (formerly Foundation for Advanced Medical Research Inc)
 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
 Independent Market Operator
 *Synergy
 *Verve Energy
 *Water Corporation
 *Western Australian Land Authority
 *Western Power – Networks

Glossary of Terms

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 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 management issues of importance and to explore the proposed audit emphasis and areas of coverage.

Exit Interviews are formal meetings with senior 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 are routinely 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.

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 (MoS) are the 'key messages' in Auditor General's reports. 'Key messages' are defined as the issues a general Parliamentary reader would take away from the report after the detail of specific findings and recommendations has receded into the background.

Outcomes are the effect, impact, result of 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.

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 29 August 2008)

AUDITOR GENERAL'S OFFICE

Colin Murphy 9222 7501
Auditor General

Peta Mullane 9222 7502
Executive Officer

Glen Clarke 9222 7543
Deputy Auditor General

Molly Elympos 9222 7506
Executive Assistant

ASSURANCE SERVICE DIVISION

Don Cunninghame 9222 7526
Assistant Auditor General

Peter Sparkes 9222 3906
Director, Contracts

Ian Goldsmith 9222 7559
Director

Vince Turco 9222 7515
Director

Patrick Arulsingham 9222 3944
Director

Liang Wong 9222 7542
A/Director

COMPLIANCE AND INFORMATION SYSTEMS AUDIT DIVISION

Colin Campbell 9222 3937
Assistant Auditor General

Peter Bouhlas 9222 7522
Principal Analyst, Information Systems

PERFORMANCE REVIEW DIVISION

Peter Wilkins 9222 7588
Assistant Auditor General

Jason Beeley 9222 7579
Director

Rod Berg 9222 7591
Principal Adviser
Performance Indicator Standards

STANDARDS AND QUALITY DIVISION

David Gilchrist 9222 7573
Assistant Auditor General

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

Lesley Shi 9222 7590
Manager, Finance and
Administrative Resources

Vince Partridge 9222 7508
Manager, Information Resources

Michelle Bunn 9222 7571
Executive Officer/Analyst,
Planning and Coordination

Mandy Murray 9222 7564
Manager, Professional Development

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