



auditor general
western australia

Report on Ministerial Portfolios at December 1, 2000

Report No. 10 December 2000





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**The Speaker
Legislative Assembly**

**The President
Legislative Council**

Report on Ministerial Portfolios at December 1, 2000

I submit to Parliament the Report on Ministerial Portfolios at December 1, 2000 pursuant to section 95 of the *Financial Administration and Audit Act 1985 (FAAA)*. This Report primarily covers the financial statements and performance indicators audits of the departments, statutory authorities and subsidiary bodies under that Act that have balance dates between June 30, 2000 and August 31, 2000, which have been completed at December 1, 2000.

It also includes the results of the audits of the eleven corporatised bodies who report under provisions mirroring the *Corporations Law*, Cemetery Boards reporting under the *Cemeteries Act* and audits requested by the Treasurer.

This report excludes agencies which have not submitted financial statements and performance indicators for audit or were late in submitting, thus preventing timely finalisation of the audits. These agencies will be the subject of a separate report.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
December 20, 2000

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This Report provides:

- a summary of the results of financial statement and performance indicator audits completed at December 1, 2000;
- specific references to qualifications of financial statement and performance indicator opinions;
- commentary on accountability issues; and
- commentary on specific control issues.

Issues in this Report have arisen from the conduct of audit procedures that are primarily intended to enable the formation of an opinion on the controls, financial statements and performance indicators of individual agencies. Not all matters of significance will be identified during the course of routine financial statements and performance indicators audits. Other matters may be detected during the course of additional and complementary audit procedures, such as control, compliance and accountability audits and performance examinations.

It is important to note agency management remains responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, complying with the *Financial Administration and Audit Act 1985 (FAAA)* and other relevant written law, and for developing and maintaining proper records and systems for preparing and presenting relevant and appropriate performance indicators. The primary responsibility for the detection, investigation and prevention of irregularities rests with agency management.

Summary of Audit Results

This section summarises the results of 240 financial statements and 204 performance indicators audits completed at December 1, 2000 as part of the 2000 audit cycle. The entities included in this Report are classified into the following:

- Audit opinions issued on financial statements, controls and performance indicators
 - 47 Departments
 - 157 Statutory Authorities
- Audit opinions issued on financial statements
 - Treasurer's Annual Statements
 - 11 Corporatised Bodies
 - 9 Subsidiary Entities
 - 7 Cemetery Boards
 - 7 Request Audits
 - 1 Whole of Government Financial Statements

The entities listed above include one department and 55 statutory authorities (including 49 hospitals and health services) and three request audits that have been the subject of a separate Public Health Sector Report in previous years. The audit results of these agencies are shown separately in this report to enable a comparison to be made with last year's performance.

At December 1, 2000, the audits of nine statutory authorities, one subsidiary, two cemeteries and five request audit agencies were not finalised. Seven of the nine statutory authorities who have a June 30 balance date were late in submitting financial statements for audit. Three request audit agencies and one cemetery have yet to submit financial statements for audit, and one request audit agency and the subsidiary agency are yet to reach their respective reporting deadlines of December 31.

Timeliness of Reporting

The *FAAA* requires submission of financial statements and performance indicators within specified timelines to meet external accountability obligations. Agency performance in meeting this statutory requirement is also an indicator of sound management of information and control over operations. Table 1 (page 6) illustrates how agencies have performed against this requirement over the past three years.

Summary of Audit Results

The Table illustrates continuing improvement across all types of agencies with a downward trend in the number of agencies unable to meet the statutory reporting date. The improvement in health sector agencies in particular indicates progress in establishing timetables and action plans in line with recommendations made in the *Report on the Western Australian Public Health Sector and of Other Ministerial Portfolio Agencies for 1999* (Report No. 2, April 2000).

Further, early submission of financial statements and performance indicators continues to be positively promoted to agencies as it achieves more timely discharge of their external accountability obligations.

	1997-1998				1998-1999				1999-2000			
	Depts	Stat Auth	Health Sector	Total	Depts	Stat Auth	Health Sector	Total	Depts	Stat Auth	Health Sector	Total
Statements not received by the statutory date	8	14	25	49	5	19	14	38	2	12	9	23
Expressed as a percentage of all agencies in that category	16%	12%	31%	19%	10%	14%	20%	16%	4%	10%	15%	10%

Table 1: Performance against reporting deadlines.

*Overall there has been an improvement in agencies' ability to meet statutory deadlines.*¹

Source: OAG

Financial Statements

Audit Qualifications

To December 1, 2000, the opinions of seven agencies were qualified in relation to their controls, compliance with relevant laws or financial statements.

Details of these qualifications are set out in Table 2 and further explained in the Summary of the Results of Agency Audits Section of this Report.

¹ Note: Table 1 excludes educational institutions with December 31 balance dates. Corporatised bodies must report by September 30, while cemeteries and request audits do not have legislatively imposed reporting deadlines.

AGENCY	REASON FOR QUALIFICATION
The Aboriginal Affairs Planning Authority	Controls: Operation of Trust Account and related bank account without appropriate approval.
Busselton Water Board	Controls: Regular and timely reconciliations of the Board's payroll accounts to the General Ledger were not carried out during the year. As a consequence, there has been no effective control to identify and correct any discrepancies between the payroll control accounts and the General Ledger.
Department of Transport	Controls and Financial Statements: Regular and timely reconciliations of the Department's bank accounts were not carried out. As the reconciliation was not finalised at the time of issuing the audit opinion, an opinion as to whether the cash figures in the financial statements were fairly presented could not be formed.
Dried Fruits Board	Legal Compliance: Fees and contributions were not collected in accordance with the Dried Fruits Act 1947. The Board was awaiting the passage of legislation to repeal the Act and abolish the Board. The Act was subsequently repealed on June 30, 2000.
Education Department of Western Australia	Controls and Financial Statements: Inadequate controls over payroll and leave records that resulted in incorrect payments to employees and errors in leave records. An opinion on whether the Employee Entitlements figures in the financial statements were fairly presented could not be formed. In addition, the opinion on financial statements was qualified because financial details for a number of schools were not available or incomplete, and estimates used as a substitute were not considered reliable.
Government Employees Superannuation Board	Controls: Control procedures were not sufficient to ensure the accuracy of employee superannuation contribution information provided by agencies.
Ministry of Fair Trading	Controls and Legal Compliance: Inadequate controls over the recording and banking of moneys received by the Ministry. In addition, a civil penalty was credited to the Ministry's operating bank account. This is a departure from the FAAA and Constitution Act 1889 that requires such moneys to be credited to the Consolidated Fund.

Table 2: Qualified Financial Statement and Control Audit Opinions.

Source: OAG

Summary of Audit Results

The qualifications issued for 1999–2000 continues the trend of general improvement in this regard over the past three years since 1996 (see Figure 1).

Similarly, in the health sector, no qualified audit opinions were issued for the agencies whose audits were completed in 1999–2000. This maintains the good results in the previous year and reflects the positive trends established in the previous two years.

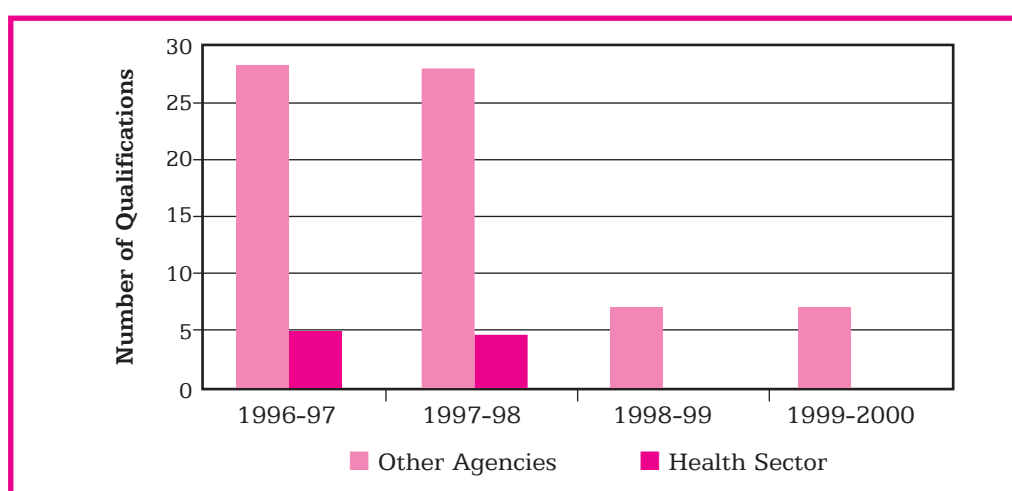


Figure 1: Number of Financial Statement and Control Qualifications 1996–2000.

There has been a general reduction in qualifications issued between 1996 and 2000.

Source: OAG

Before qualified opinions are issued, proposed qualifications are comprehensively discussed with respective agencies. Particular actions to address the issues may be proposed by the agency and mutual agreement reached on the way in which the situation may be resolved.

The commentary below reflects this process and outlines further details of particular qualifications issued in 1999–2000 together with agreed action being undertaken by the agency to address the issue.

Department of Transport

The Department's audit opinion on its financial statements and controls was qualified because it did not perform regular and timely reconciliations of its bank accounts during the financial year. Specifically, there were difficulties in allocating outstanding items totalling \$2 674 000 against the correct accounts. The Department at the time of the audit was unable to supply sufficient further detail to determine an appropriate method of allocation of

these items. Consequently, an opinion could not be formed as to whether Cash at Bank of \$32 759 000 disclosed in the Statement of Financial Position and Cash of \$4 228 000 disclosed in the Schedule of Administered Items in Note 37 to the Financial Statements were fairly presented.

The Department advised on November 30, 2000 that it has now completed a reconciliation of its bank accounts at June 30, 2000, confirming the reported Cash at Bank figures, and that regular and timely reconciliations of its bank accounts have been performed for the period July 1, 2000 to October 31, 2000.

Education Department of Western Australia

The audit opinion of the Education Department of Western Australia has been qualified for the past two years due to inadequate controls over the payroll system. This matter was also separately reported in the *Public Sector Performance Report* (Report No 7 of November 1999) which detailed the level of overpayments and the control weaknesses that contributed to those overpayments.

During 1999-2000, the Department implemented improvements to systems and administrative controls, the effectiveness of which is demonstrated by the significant reduction in the number and value of overpayments achieved. Details are included in Table 3 below.

Cause	1998-99		1999-2000		Change % By number	Change % By value
	No.	Amount (\$)	No.	Amount (\$)		
Late payroll advice from schools	1 087	2 000 887	740	757 166	-31.9	-62.2
Human errors	857	1 842 676	935	1 093 546	+9.1	-40.7
Delays in processing	459	809 336	332	485 976	-27.7	-40.0
System errors	295	572 070	160	213 384	-45.8	-62.7
Cause not specified	417	434 291	56	51 231	-86.6	-88.2
TOTAL	3 115	5 659 260²	2 223	2 601 303³	-28.6	-54.0

Table 3: Effect of controls implemented at the Education Department to reduce overpayments.

Source: OAG and Education Department records

² The 1998-99 figures reported to Parliament in November 1999 have been adjusted to include further 1998-99 overpayments identified after the report was finalised.

³ 1999-2000 figures are at November 14, 2000. Overpayments relating to the 1999-2000 financial year continue to be identified and therefore, the figures will need to be re-adjusted.

Summary of Audit Results

Although the number of overpayments decreased in 1999-2000, seventy-nine per cent (\$1.6million) of overpayments outstanding at the end of the financial year had been outstanding for more than 90 days compared to 14 per cent (\$337 000) at June 30, 1999, indicating that the recovery period became more prolonged. The Department has advised however that procedures were recently revised with a view to recovering overpayments in a more timely manner.

Audit testing of payroll controls disclosed instances of non-compliance with newly implemented procedures, including the review of key system reports. Some control enhancements, including new and revised system reports that are critical for effective payroll management, were introduced towards the end of 1999-2000 and the Department is continuing to implement further control improvements.

Government Employees Superannuation Board

The prior year audit opinion noted that employer agencies have the primary obligation to ensure that employee superannuation information provided to the Board is correct. It also noted legal advice that under the *Government Employees Superannuation Act 1987*, the Board has a statutory obligation to take reasonable steps to ensure the accuracy of this information.

The Board developed a comprehensive plan to address this issue and at June 30, 2000 had taken action toward implementation of their identified solutions. The plan included a complete audit of procedures and processes used by each employer agency in reporting data; further activities aimed at verifying data previously provided; programs of awareness-raising on the need for data accuracy; targeting agencies at all levels from CEO to HR/payroll personnel; and initiatives to allow self-checking of contributions by members.

However the components of the plan were either not fully implemented or were not sufficiently in place for the entire year. Consequently, a significant incidence of inaccuracies in superannuation information provided to the Board by employer agencies remained at the completion of the audit.

At November 30, 2000 the Board advises that it continues to implement its plan to remedy these inaccuracies and that significant progress has been made, with the major component, the agency audits, nearing completion in respect of over 90% of all public sector employees.

Ministry of Fair Trading

The Ministry received qualifications on two separate matters. In the first matter, a legal compliance issue arose where an amount of \$178 101 resulting from a civil penalty was credited to the Ministry's operating account. The amount should have been credited directly to a separate trust account of the Trust Fund at Treasury that forms part of the Consolidated Fund.

The second matter related to a control issue where cheques and money orders received in the post by the Ministry's Business Names Section were not recorded and banked for periods of up to six weeks during the financial year. Legislation requires all money received to be banked daily. Further, good management controls should be in place to ensure the security of all collections.

With regard to penalty moneys received, the Ministry has indicated that contact will be made with Treasury to establish a separate trust fund to hold penalty moneys.

The Ministry has also advised that as of July 1, 2000 the Business Names Section has implemented refinements to its system to ensure that cheques are receipted on the day they are received and unprocessed cheques are appropriately secured pending receipting and banking. Further, a planned restructure of the Section will see the establishment of a senior position responsible for reviewing and documenting all processes, staff training and performance monitoring.

Other Audit Findings

Reliable controls over accounting systems are fundamental to effective management. Further they enhance the reliability of information produced for financial statements and performance indicators. Control deficiencies alone may not result in the issue of a qualified audit opinion, however they do need to be addressed by agencies to meet accountability obligations and improve the efficiency and effectiveness of operations.

Common issues identified across agencies were:

- inadequate controls over payroll systems (eg an absence of adequate reconciliations of payroll data; poor monitoring of leave balances leading to increased leave liability);
- insufficient procedures to maintain an appropriate level of asset management (eg absence of sound and complete stocktaking procedures);
- insufficient separation of tasks between and across staff with responsibilities relating to electronic transfer systems, expenditure and revenue functions to minimise scope for misappropriation; and
- inadequate adherence to government policies relating to obtaining quotations, seeking tenders, observing delegation limits and approving variations for purchasing goods and services.

These issues were raised when noted during audits with responsible agency staff. The more significant matters were reported through management letters to Chief Executive Officers, Boards and Ministers.

In addition to raising issues regarding control deficiencies, acknowledgement of good practice and opportunities to improve satisfactory procedures were also raised with agencies. Areas included purchasing and payment functions, storage of electronic records and contract management and monitoring.

Performance Indicators

The implementation of the Output Based Management initiative, which is part of the Government's financial reform agenda, now requires agencies to disclose in their annual report:

- the Government desired outcome(s) to which each output relates (replaces objectives and programs);
- output measures of quantity, quality, timeliness and cost;
- key efficiency indicators for each output, relating outputs to inputs consumed; and
- key effectiveness indicators for each outcome, relating outputs to outcomes achieved.

The disclosure in the annual report of output measures of quantity, quality, timeliness and cost is to also include a comparison of actual results against targets, together with reasons for significant variations.

Only the key effectiveness and efficiency indicators are required to be audited. These indicators are clearly identified in the annual reports of agencies as the audited performance indicators.

For health sector agencies, key effectiveness indicators address the extent to which the outputs of hospitals and health services (prevention and promotion; diagnosis and treatment; and continuing care) contribute in achieving the health outcome "Improvement in health by a reduction in the incidence of preventable disease, injury, disability and premature death, restoration of the health of people and improvement in the quality of life for people with chronic illness and disability". Hospitals and health services are required to produce key efficiency indicators for the three outputs.

To December 1, 2000, 188 unqualified opinions were issued in respect of the 197 agencies that submitted performance indicators. Seven further agencies however did not submit indicators as required by the *FAAA*.

The results of performance indicator audits for all agencies (including the health sector) are as indicated in Figure 2 (page 13).

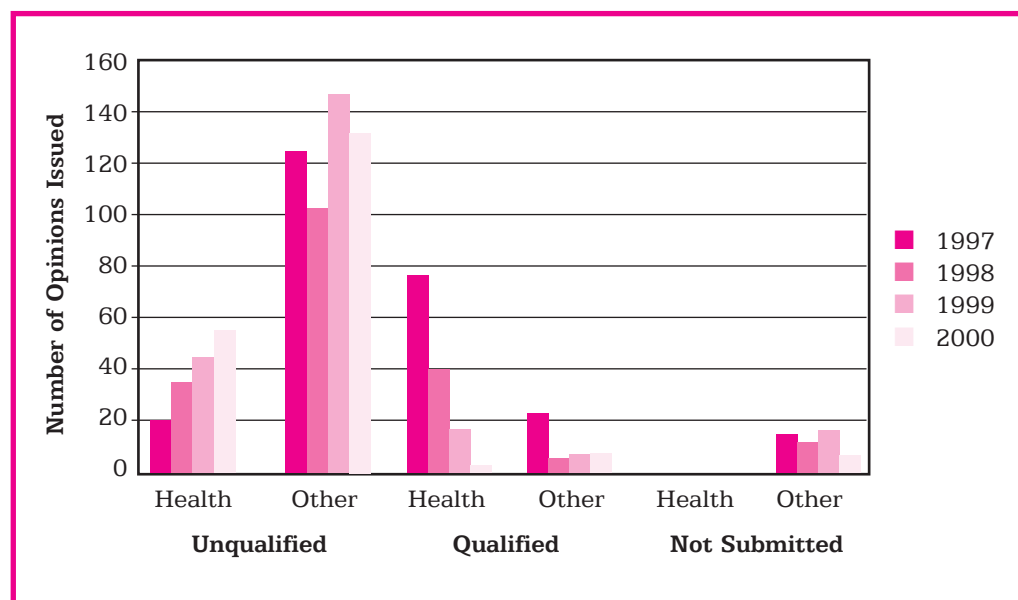


Figure 2: Results of performance indicator audits for all agencies: 1996-97 to 1999-2000.

There is steady progress in the development of performance indicators across all sectors.

Source: OAG

Progress in the development and reporting of performance indicators continues to be generally steady across all agencies. The measured progress in the health sector continues to be recognised and attract a modification in the scope of hospital and health sector performance indicator opinions as noted in the *Report on the Western Australian Public Health Sector and of Other Ministerial Portfolio Agencies for 1999* (Report No 2, April 2000).

Customer Satisfaction Surveys used for Performance Indicators

Demonstrating a customer focus initiative has been a requirement in public sector agencies external reports since the customer focus initiative was introduced in 1994. In order to capture data to satisfy this requirement and in conjunction with the development of effectiveness performance indicators, agencies have made extensive use of customer satisfaction surveys.

Background

In June 1998, the report titled *Listen and Learn – Using Customer Surveys to Report Performance in the Western Australian Public Sector* (Report No. 5 of 1998) was tabled in Parliament. This report detailed the results of a performance review that had selected seven surveys, each from a different agency and used them as case studies into the ways in which public sector agencies conducted customer satisfaction surveys.

The review recommended that agencies should:

1. Ensure that their surveys are conducted in a scientifically rigorous manner so as to minimise all types of survey error.
2. Present their performance indicators in conjunction with relevant supporting information such as comparative benchmarks and the survey's technical limitations.
3. Assess the cost-effectiveness of undertaking customer surveys, particularly those agencies with small budgets and a large number of customers.
4. Ensure they have access to sufficient survey knowledge to effectively manage consultants when contracting out surveys.
5. Be aware of the possibility of over burdening clients with requests to participate in customer surveys. Agencies with common clients should liaise with each other to avoid this situation.
6. Use their survey findings as a tool to assist in service improvement and as a means of demonstrating accountability.

In July 1998, a Circular to Ministers (No 11/98) was issued by the Premier, reiterating the importance of customer surveys in improving effectiveness, performance measurement and accountability. The Circular encouraged agencies to have regard to the recommendations in the Auditor General's Report and for Ministers to consider the application of the Report's findings for agencies within their portfolio.

Progress Review

A review was conducted in 1999-2000 as part of the audit of agency performance indicators. It revealed that agencies have made progress in addressing particular issues relating to the administration of customer satisfaction surveys for use in the compilation of data for performance indicators. In particular, agencies have paid greater attention to survey sampling techniques in an effort to increase response rates and lower sampling errors.

Three of the recommendations from the *Listen and Learn* report were chosen for review as these related closely to matters and data examined during the audits of agency performance indicators, namely:

- Recommendation 1 - How particular surveys are conducted so that all types of survey error are minimised – **Minimising Error**.
- Recommendation 2 - Whether relevant supporting information (such as comparative benchmarks and the survey's technical limitations) is presented with the actual performance indicators – **Supporting Information**.
- Recommendation 6 - Whether survey findings are used to improve services to customers – **Customer Service Improvement**.

Review Results

Eighty-one customer satisfaction surveys administered by 51 agencies were reviewed and the results are reported below against each aspect reviewed.

Minimising Error

It is important that agencies subject their customer surveys to rigorous testing and scrutiny. Doing so will give greater credibility to survey findings, as there is less likelihood that they will be contaminated by excessive amounts of error.

Procedures that can be undertaken by the agency to assist this include making sure that each customer has an equal opportunity of being included in a sample (by having a complete list of customers from which to choose a sample) and that the survey consistently measures what it is supposed to. Further, the agency can take steps to maximise the responses to the survey so as to not exclude certain types or groups within the population.

The review found that of the 51 agencies, 78 per cent had complete customer lists thereby satisfying the criteria that all types of customers could be selected for survey. Twenty-one agencies surveyed all customers (ie a census view), 19 used accepted and recognised methods to randomly select customers, while the other 11 agencies used either 'exit surveys' (i.e surveyed customers as they left the agency premises) or a combination of sampling selection methods. Overall, this indicates that agencies have made progress and have considered their survey population in relation to their services and desired outcomes, and structured their customer lists and survey methods accordingly. Agencies have become more aware of ensuring that the information collected can be directly used in compiling performance indicators. Fifty of the agencies reviewed used surveys containing direct questions aimed at gathering customer satisfaction with elements of services provided.

Summary of Audit Results

Audit's position is that if the error rate for a survey is equal to or less than +/- five per cent, then there is a reasonable prospect that the results and conclusions drawn are appropriate for assisting external users to judge agency performance. Of the agencies reviewed, 29 had chosen sample sizes that would ensure that the accepted standard would be met, indicating an awareness of the need to minimise the level of error. However the actual survey sampling error rate for 20 (40 per cent) of the 51 agencies was between +/- five per cent and +/- ten per cent. Over time this means it may be difficult to determine whether changes in customer satisfaction actually reflect performance or are simply due to sampling variability. Further work needs to be done by these agencies to obtain samples large enough to keep the sampling error to less than the generally accepted +/- five per cent.

Similarly, agencies need to review the methods used to get customers to respond to surveys and improve their analysis of why customers do not respond. For example, one agency quoted 'survey fatigue' as a factor contributing to low response rates, while another two could not determine how many survey forms had been handed out.

Low response rates suggest potential bias in the survey findings, as those customers who do not respond may have a different view to those who do. Without analysis, the extent of the bias cannot be known. As a basic guide, a response rate of at least 50 per cent is considered adequate for analysis and reporting, and only 19 agencies (37 per cent) were able to obtain and demonstrate response rates greater than this generally applied guide.

Supporting Information

Relevant supporting information about the survey including comparative benchmarks and technical limitations, is important as it offers readers a greater level of insight into the development and meaning of the performance indicator. Information provided in conjunction with the relevant performance indicator assists in determining the extent to which agencies are providing readers with information to assist in their review of agency performance.

Overall, trend data is the most common type of supporting information. Thirty-five agencies (70 per cent) chose to include this form of commentary with their performance indicators. Seven agencies (14 per cent) provided a combination of trend data and comparatives to assist users to better understand the agency's performance.

Although the review indicated progress in the amount and type of information supplied by agencies to support performance indicators, the level of supporting information could be further enhanced. For example providing information on the composition of customer

population, using industry benchmarks and providing more detailed explanation and analysis of fluctuations in trends over time would substantially improve the ability of readers of performance indicators to make more informed decisions or draw better conclusions on the agency's performance.

Customer Service Improvement

Rather than expending resources on a 'once a year' exercise to satisfy external performance reporting purposes, agencies should be developing indicators as a tool to assist in service improvement and as a means of demonstrating accountability. Agencies that do so are a positive example of how performance data can contribute to everyday policy and management decisions.

The data collected during the review did not reveal a particular trend by agencies with respect to the use of survey data to improve services, though the review did note particular individual agencies where chief executive officers and senior management reviewed survey information for negative feedback or used it as a guide to implementing enhancements to training or awareness programs. In general, survey results were used in a variety of ways for management decision making, strategic planning, productivity reviews, budgeting and staff training.

Agencies generally need to further integrate their current survey practices with management information systems and decision making processes to ensure customer feedback on satisfaction is purposefully used to improve service type and delivery.

Accountability Issues

While the annual cycle of attest audits is primarily designed to enable the formation of an opinion on the controls, financial statements and performance indicators of individual agencies, matters of wider significance are identified by auditors in the course of audit work.

These issues are reported to serve the public interest and to provide independent commentary on public sector accountability for the Parliament.

During the 1999-2000 audit cycle two such issues were noted.

Corporate Governance

Background

Corporate governance is a framework of principles against which directors and executive management can be held accountable to stakeholders for the effectiveness and efficiency of the activities of the entity. As a method of managing and controlling an entity's operations, it is equally applicable to the public sector as to the private sector, as it highlights control, stewardship and accountability.

In recent years there has been a greater emphasis on accountability, disclosure and transparency. Senior officers hold a position of fiduciary responsibility and therefore need to be accountable to those who provide resources to the agency, through disclosure of their transactions with the agency. Stakeholders want greater assurance that directors and executive management are not taking unfair advantage of their position within the company and are acting in the best interests of the stakeholders. This has led to amendments to the *Corporations Law* to increase the disclosure of remuneration information in respect of directors and executive management.

Further, companies are becoming more accountable to stakeholders for their performance against objectives and targets. Presentation of information such as planned activities, borrowings and dividends enables stakeholders to make informed decisions and compare budgeted and intended outcomes with actual achievements.

In this year's audit cycle two issues were identified, the first with respect to the disclosure of directors and executives' remuneration within public sector corporations. The other was in relation to the discharge of an accountability requirement to prepare a yearly plan of intended activities.

Inconsistencies in disclosure requirements

In recognising the commercial nature of some government agencies' operations, specific legislation has been passed to allow these agencies to operate in a manner similar to public companies. At June 30, 2000 there were eight port authorities and three corporations working under this arrangement, with provisions in Schedules to their enabling legislation requiring application of sections of the *Corporations Law*.

Parliament recognised that the *Corporations Law* would be amended from time to time. Consequently, the enabling legislation for these corporations contain provisions that allow the Minister to consider the *Corporations Law* amendments and if appropriate, seek the Governor's approval for the changes to be made to the Schedule by issue of regulation.

Corporate Governance (continued)

Changes to the *Corporations Law* resulting from the *Companies Review Act* amendments came into effect on July 1, 1998. These amendments introduced numerous reforms and changes dealing with financial reports and audit, share capital, meetings and members' rights, annual returns, forming companies, and de-registering and reinstating defunct companies. Key changes relate to the extension of information required in annual directors' reports and in particular, the manner of information disclosed by publicly listed companies on the remuneration of each director and the five highest paid officers. This is in addition to disclosure in the financial statements of the remuneration (by dollar range) of the directors and senior officers.

Three of the corporations have enabling legislation pre-dating these amendments (their legislation came into effect in 1994) however the eight port authorities have enabling legislation post-dating the amendments (effective in 1999). The *Companies Review Act* amendments are yet to be incorporated into the enabling legislation of all eleven public sector corporations. Although there has been an indication that the port authorities' legislation will be reviewed after it has been in operation for three years to assess any amendment needs, all corporations now have enabling legislation that is not in line with the current requirements applicable to companies subject to the *Corporations Law*. Further, only three of the eleven public sector corporations currently voluntarily choose to adopt the equivalent of the mandatory level of disclosure of senior officers remuneration required of publicly listed companies.

Recognising the principle of accountability for performance promoted at the time of corporatisation, it follows that enabling legislation should continue to mirror the current provisions within the *Corporations Law*.

Statement of Corporate Intent - Electricity Corporation

At the core of the Electricity Corporation's accountability requirements is the need to prepare, each year, a strategic development plan and a statement of corporate intent. The statement of corporate intent, is a form of contractual agreement between the Corporation and the Government. It facilitates the evaluation of the performance of the Corporation each year and contains a number of financial and non-financial performance targets and objectives. These include the provision and continuity of services, activities for the forthcoming year, details of borrowings, dividends and accounting policies, and the structure and content for reporting information.

The *Electricity Corporation Act 1994* (the Act) contains several provisions that enable Parliament to be sufficiently informed in respect of the Corporation's overall plans and objectives for the forthcoming year.

Section 52(2) of the Act requires that a statement of corporate intent be submitted to the Minister by April 30 of the preceding year. Should the Minister agree to the draft statement, it is to be tabled in Parliament within 14 days (section 58(2) of the Act). Where changes to the draft are requested by the Minister, and an agreement as to these changes cannot be reached with the corporation, the Minister may issue a written direction to the Corporation, and must cause a copy of the direction to be tabled in Parliament within 14 days in accordance with section 56(3) of the Act.

The Electricity Corporation's statements of corporate intent for the financial years ending June 30, 2000 and June 30, 2001 respectively were submitted to the Minister by April 30 of the preceding year as required. However, the Minister did not formally agree to these, nor was a written direction subsequently provided by the Minister.

As a consequence the latest draft statement of corporate intent becomes the current contractual agreement between the Corporation and the Government. Although this situation is provided for in the enabling legislation, Parliament has effectively not had the opportunity to consider the draft or deliberate the contents. Without a formally agreed statement of Corporate intent or a Ministerial Direction, Parliament is unable to appropriately consider the Corporation's performance against agreed outcomes.

Recommendations

- The enabling legislation of public sector corporations should be reviewed in recognition of the current provisions in the *Corporations Law*; and
- The Electricity Corporation's Statement of Corporate Intent be agreed in a timely manner or a Ministerial Direction be issued.

Accounting for GST Transitional Loan

On July 1, 2000, Commonwealth-State financial relations changed with the introduction of the Goods and Services Tax (GST). From this date, the States are to receive the entire revenue generated by the GST as compensation for the abolition of certain taxes and Commonwealth grants, and for the States taking on other funding responsibilities. The Commonwealth also undertook to provide GST transitional payments to the States to offset any shortfall between the States' entitlement to GST revenues and the total amount of funding foregone as a result of the new arrangements.

For the first financial year (ie 2000-01), the GST transitional payments were expected to include interest free loans from the Commonwealth as well as amounts the Commonwealth Treasurer determined to be grants. Any loan portion is repayable in the next financial year (ie 2001-02) by the States. However, the Commonwealth has given an undertaking to fund the States for the repayment of any loans.

The Commonwealth has shown a GST transitional payment of \$160 million to Western Australia as a loan in its 2000-01 Budget headliner presentation. Conversely, the Western Australian 2000-01 Budget records the payment as a grant, or revenue item, and not a loan or liability to be repaid the next year.

Under Australian Accounting Standard AAS 15 "Revenue", the GST transitional "loan" is in the nature of the contribution of an asset that the State controls on receipt and should therefore be reported as revenue. Furthermore, in the context of the legislative arrangements and associated agreements there is no present obligation for the State to repay the "loan". In addition, the Commonwealth has given an undertaking to provide financial assistance to the State to enable it to repay any "loan" amount.

Conclusion

The method of accounting for the GST transitional "loan" as a revenue item by the State has been considered by audit. It has been concluded that accounting for the GST transitional "loan" as revenue is supported, on the basis of the substance of the arrangement between the Commonwealth and the State, and is in accordance with Australian Accounting Standards.

The annual attest audits of all agencies required under the *FAAA* are directed at forming an opinion on controls, financial statements and performance indicators. Audit tests are performed to the extent necessary under auditing standards to obtain sufficient appropriate evidence to support each opinion.

The statutory requirement for an explicit opinion on controls in the public sector reflects the higher expectation that effective controls operate to assure the integrity of the use of taxpayer moneys. Further, the public sector environment generally is not exposed to the natural rigour imposed by the competitive market environment and in consequence is not able to apply the degree of flexibility and more discretionary approach applicable in the private sector.

Recognising this circumstance, further complementary reviews of the reliability of the operations of systems and procedures are undertaken to provide added assurance that the individual professional judgements and conclusions reached during the course of annual attest audits are soundly based and consistent.

In the 1999-2000 audit cycle, four areas were chosen for review:

- receivables (debtors);
- receipts, banking and investments;
- assets; and
- expenditure.

The review of **receivables** across six agencies produced generally satisfactory results, with only minor matters specific to certain agencies being noted and resolved with management. Similarly, the review of **receipts and banking** at eleven agencies (includes six agencies where investments were also reviewed) indicated that overall, control procedures in relation to these activities were operating satisfactorily. Management within individual agencies have taken steps to address minor issues raised as a result of this review.

The other two areas of **assets** and **expenditure** produced matters of significance that warrant separate reporting and are detailed below.

Assets

Background

In total, government agencies own or control a significant portfolio of assets. The State of Western Australia Consolidated Financial Statements for 2000, report non-current assets, including land holdings across the State and buildings and infrastructure assets such as power stations and railways at \$40 billion. A further \$1.9 billion in assets are held as plant and equipment.

Having complete, reliable and accurate accounting records for assets is key to implementing an effective system of asset management.

What Is The Potential Risk?

With a substantial amount invested in public assets, effective control is critical to ensure assets are safeguarded and their value reflected accurately in financial statements.

Ineffective controls over property, plant and equipment can result in unauthorised purchases or disposals, and incorrect accounting for the assets in the accounts of the agency.

What Did We Do?

A sample group of ten agencies was selected and an audit performed to ascertain whether adequate controls existed over property, plant and equipment. A secondary objective of the audit was to identify opportunities for improving agencies' operational performance and accountability for the use of resources and compliance with legislation and government policy directives. A sample of property, plant and equipment transactions and items was selected for audit testing to ensure that:

- purchases were properly authorised;
- expenditure was correctly allocated between capital and operating categories;
- disposals were properly authorised and accounted for;
- property, plant and equipment records were being reconciled with accounting records and physical stocktakes;
- property, plant and equipment were adequately safeguarded against unauthorised removal and/or destruction;

- rates used for depreciating assets were regularly reviewed by management for appropriateness and consistently applied in accordance with management policy; and
- any revaluations of property, plant and equipment were adequately supported by appropriate advice from competent valuers.

What Did We Find?

For the agencies selected, controls over property, plant and equipment were generally found to be operating effectively. Minor exceptions identified related to either individual agencies or branches within agencies or certain categories of assets. These have been raised with the relevant agencies and satisfactory procedures have been agreed to address the particular instances noted.

Three areas were identified where agencies need to strengthen their current procedures and systems to enable them to effect greater control over their property, plant and equipment assets. Although these findings were not significant enough to affect individual agency audit opinions, they are indicative of problems agencies are experiencing in managing their asset portfolios and need to be addressed to ensure they do not lead to larger problems or develop into qualification issues.

Existence of Assets

Properly monitoring asset movement by physically counting and locating assets and matching the results to the relevant accounting records allows discrepancies to be dealt with on a timely basis and assures the accuracy of asset records and values.

The review encountered difficulties when attempting to physically locate assets listed on asset registers. This was primarily because the asset was in a different area to that recorded in the register or could not physically be found. As stocktakes often revealed missing asset items, this highlights the need for sound control over the movement of assets. Analysis by agencies indicated that the majority of missing items had been disposed of previously without the asset register being updated. Further action has been initiated by the agencies to follow up the remainder of the missing assets and improved procedures and policies are being implemented to better manage the location and movement of assets.

Assets (continued)

Depreciation of Assets

Periodic reviews of depreciation rates, as required by Australian Accounting Standards, help to ensure the most accurate and up to date assessments of the useful life of an agency's assets are reflected in its records. These assessments should take into account factors such as changes in the degree of utilisation and obsolescence.

Audit findings across the agencies sampled revealed that generally management were not reviewing depreciation rates for appropriateness. This was most commonly illustrated where items were sold for amounts significantly lower than the book values, indicating that depreciation rates were not an accurate reflection of the useful life of the assets.

Safeguarding of Assets

Appropriate security controls minimise the opportunities for unauthorised removal.

Issues noted during the review included inadequate security over access to attractive and portable assets; a lack of security checks to ensure that unauthorised persons do not have access to assets on an agency's premises or that authorised visitors to the premises are prevented from removing attractive and portable assets from the premises; and agency branches not maintaining an attractive items register.

What Does This Mean?

If assets on the register cannot be physically located, or asset movement is not appropriately monitored and recorded, it is difficult for the agency to determine that assets exist.

Periodic assessment of the useful life of assets enables an agency to determine the service utility of assets as well as ensure that asset values are not overstated. A lack of accurate information about asset values prevents management from making informed decisions about the utilisation of the agency's assets and determining appropriate asset replacement strategies.

Inadequate safeguarding of assets provides opportunities for the unauthorised removal of assets from agency premises. Further, where agencies do not maintain an attractive items register, the location of attractive items cannot be monitored and items may be stolen, misplaced or damaged without being detected.

What Should Be Done?

Agencies should:

- follow stocktake results through to finality to ensure asset records accurately reflect actual asset holdings and locations;
- periodically assess the remaining useful life of assets and adjust depreciation rates to reflect the reassessment; and
- prevent or minimise the opportunity for unauthorised access and removal of assets by reassessing physical security over attractive and portable assets and establishing and maintaining registers of attractive items.

Expenditure

Background

The public sector spends in excess of \$9 billion annually on the purchase of goods and services and assets. Controls over the expenditure of public moneys are prescribed in various legislation including the *Constitution Act 1889*, the *FAAA*, the *State Supply Commission Act 1991*, the Treasurer's Instructions, and the enabling legislation of specific government agencies. These controls operate to ensure that:

- agencies have the authority to make payments;
- payment amounts are correct;
- duplicate payments are not made;
- payments are satisfactorily recorded;
- adequate audit and management trails are maintained; and
- agencies achieve value for money.

What Is The Potential Risk?

Ineffective controls over expenditure and purchasing transactions increase the likelihood of:

- incorrect payments to suppliers;
- duplicate payments;
- unauthorised payments (ie payments which do not comply with legislative requirements or agency policies);
- fraudulent payments;
- inaccurate recording of payments; and
- inappropriate purchasing practices.

What Did We Do?

Computer assisted audit techniques (CAATs) were utilised to analyse agencies' payments to suppliers. The CAATs were used to identify exceptions (eg the number of potential dual payments and possible split orders), to identify large payments for particular review, and to select a sample of payments for use in assessing the effectiveness of agency processing and authorisation controls and the accuracy of the payments.

Indepth reviews of expenditure were first undertaken in 1997-98 at five agencies as a pilot to develop and assess the feasibility of this audit approach. They were continued at a further five agencies in 1998-99 and expanded to cover a further twelve agencies in 1999-2000.

What Did We Find?

For each agency audited, 50 payments were randomly selected to assess the effectiveness of controls relating to:

- authorisation of payments by properly appointed incurring and certifying officers;
- input controls over computer processing of payments;
- re-submission of rejected transactions;
- adequacy of supporting documentation;
- accuracy of calculations and additions;
- correct classification of payments;
- obtaining tenders and quotes where appropriate; and
- purchase and receipt of goods.

Generally, controls were found to be operating effectively particularly those relating to computer processing, rejected transactions, supporting documentation, and accuracy of calculations, additions and classification.

The control weaknesses most prevalent across agencies included:

■ Tenders and Quotes

State Supply Commission supply policies require agencies to have appropriate purchasing procedures. Numerous irregularities were found including:

- not obtaining quotations either written or verbal;
- not using common use contracts;
- not having the required substantiations for claims of sole supplier status; and
- splitting purchases into smaller transactions to avoid mandatory purchasing procedures.

As a result of these exceptions, agencies were not always able to demonstrate that they had obtained the best prices and had not favoured particular suppliers.

Expenditure (continued)

■ Incurring and Certifying Payments

The *FAAA* and Treasurer's Instructions require all payments to be signed by properly appointed incurring and certifying officers. Appointed officers should be fully aware of their responsibilities for ensuring that all payments are valid and satisfy legislative requirements. At several agencies the audit procedures disclosed exceptions including:

- ❑ payments being certified after they had been processed and paid;
- ❑ officers either not appointed or not correctly appointed under the *FAAA*; and
- ❑ payments being processed without being certified or incurred.

Consequently not all payments were adequately checked and authorised prior to payment.

■ Duplicate Payments

Twenty-nine duplicate payments totalling \$445 622 were identified by audit procedures. In most cases the agencies had detected these duplicate payments, though after payment had been made, and had already taken action to recover the moneys. Duplicate payments occurred due to the failure of one or more control procedures. Most duplicate payments were caused by:

- ❑ supporting payments with copied or faxed invoices;
- ❑ not using standard coding for invoice and supplier numbers;
- ❑ incorrectly keying invoice or supplier numbers; and
- ❑ using duplicated supplier numbers.

The following example shows how several control failures contributed to a dual payment that was not detected by the agency.

HOW CONTROLS CAN FAIL	
WHAT HAPPENED	WHAT SHOULD HAVE HAPPENED
An agency received a faxed claim from a contractor. The claim was for \$69 362 and was for work completed on a \$330 000 contract. The claim was correctly processed and paid	
A week later the original invoice was received and processed for payment.	The incurring officer should have checked the file relating to the contract, which showed that the same amount had already been paid on a faxed copy.
When the original invoice was input into the agency's payment system, the system rejected the payment as it was previously paid. The operator then overrode the system by changing the claim number and re-entering the payment.	Before an operator overrides a system control the operator should check that the amount was not previously paid. In this case, comparing the original invoice to the faxed copy would have identified the error.
Both payments were subsequently entered into another system, which records variations against contract budgets. The second payment caused the contract to go 22 per cent over budget but this variance was not investigated.	There should have been a management review process in place to investigate any unexpected budget variations.
Both payments were then recouped from a second agency. The second agency paid the full amount even though the contract was significantly over budget.	Although the claim came from another government agency, the second agency should have investigated why the budget was being exceeded.
Two months later, after the final payment on the contract, the contractor sent a letter to the agency highlighting the discrepancy. The letter was filed without any action.	The discrepancy should have been investigated and the overpayment recovered from the contractor.
Seven months later, the dual payment was identified by audit and the overpayment recovered.	

Expenditure (continued)

What Does This Mean?

In nine of the twelve agencies, it was found that controls were generally effective. However, instances were identified in the other three agencies where particular controls lapsed resulting in payments that were not properly authorised or were inadequately supported and checked prior to payment. Compensating safeguards such as honest and knowledgeable staff meant that significant errors did not occur as a result of these lapses in control. Where purchasing procedures were not followed, agencies would not be able to demonstrate that they were obtaining best value or assuring that particular suppliers were not favoured unfairly.

What Should Be Done

Agency management should regularly review the effectiveness of their internal controls over expenditure and purchasing functions to provide assurance to accountable officers and authorities that all expenditure and purchasing transactions are in accordance with legislative provisions.

Summary Results of Agency Audits

This section outlines the results of annual audits of government agencies and other entities that are reported under the following categories:

The Legislature

The three parliamentary departments comprising the Legislature are included in this section.

Ministerial Portfolios

The ongoing operations of the public sector are administered by the Government of the day by assigning responsibility for the control of government agencies to individual Ministers. Consistent with this structure, the results of audits conducted under the *FAAA* are reported on a Ministerial Portfolio basis.

Audits of subsidiary bodies conducted under *Corporations Law* are listed with the related agency, while audits conducted under the *Cemeteries Act* are reported to the Minister for Local Government and are listed with that portfolio. The results of audits requested by the Treasurer under section 78 of the *FAAA* are reported under the Treasurer's Portfolio.

Reporting Structure

Audit results are reported as follows:

- A table indicating for each agency audited the type of opinion issued (qualified or unqualified) for both its financial statements and controls and performance indicators and the issue date.
- Reasons for Qualified Audit Opinions.

Unless otherwise noted, audit opinions issued relate to the reporting period July 1, 1999 to June 30, 2000. Performance indicators are only required for agencies reporting under the *FAAA*. These opinions are issued on the same date as the financial statement audit opinions.

In the table a ✓ denotes an unqualified opinion, while **NA** means that an opinion is not applicable as performance indicators are not required to be submitted.

Summary Results of Agency Audits

The Legislature

Parliamentary Departments

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Administration of the Legislative Assembly	✓	Not Submitted	31/10/2000
Administration of the Legislative Council	✓	Not Submitted	31/10/2000
Administration of the Joint House Committee	✓	Not Submitted	31/10/2000

Reason for Non Submission

As in previous years, the Parliamentary Departments have not submitted performance indicators as required by the *FAAA*.

Ministerial Portfolios

Premier; Treasurer; Minister for Public Sector Management; Federal Affairs

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Anti-Corruption Commission	✓	✓	07/11/2000
Gold Corporation	✓	✓	13/11/2000
Government Projects Office	✓	Qualification	13/10/2000
<u>Reason for Qualified Opinion</u>			
This was the first year of operation of the Office as a separate reporting entity. The outcome and output reporting require further development and in consequence the indicators reported were not key indicators of effectiveness and efficiency.			
Governor's Establishment	✓	✓	13/10/2000
Ministry of the Premier and Cabinet	✓	✓	13/10/2000
Office of the Public Sector Standards Commissioner	✓	✓	06/10/2000
Parliamentary Commissioner for Administrative Investigations	✓	✓	31/10/2000
Parliamentary Superannuation Board	✓	✓	30/11/2000
The ANZAC Day Trust (1/1/99-31/12/99)	✓	✓	19/04/2000
Treasurer's Annual Statements	✓	NA	31/10/2000
Treasury Department	✓	✓	13/10/2000
Western Australian Treasury Corporation	✓	✓	01/09/2000

Request Audits

Consolidated Financial Statements for the State of Western Australia	✓	NA	1/12/2000
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Summary Results of Agency Audits

Premier; Treasurer; Minister for Public Sector Management; Federal Affairs

Audit Opinions (continued)

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Foundation for Advanced Medical Research Inc	✓	NA	28/11/2000
Friends of the KEMH Inc	✓	NA	28/11/2000
Graylands Teachers College Scholarship Trust	✓	NA	22/08/2000
Ngala Inc	✓	NA	05/09/2000
SB Investment Trust	✓	NA	30/11/2000
Tertiary Institutions Service Centre (Inc)	✓	NA	29/08/2000
The Director of Legal Aid and Others In Trust	✓	NA	05/09/2000

Audits In Progress

R & I Holdings (1/10/99-30/9/2000)

Rottneest Island Railway Trust

Not Submitted

Beverley Frail Aged Lodge (Inc.)

Curtin University of Technology Superannuation Scheme

Numbers Investments Pty Ltd ACNO 6936 1235

South West Cogeneration Joint Venture

Deputy Premier; Minister for Commerce and Trade; Regional Development; Small Business

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Department of Commerce and Trade	✓	✓	05/10/2000
Gascoyne Development Commission	✓	Qualification	01/11/2000
<u>Reason for Qualified Opinion</u>			
The Commission's key effectiveness indicator has been qualified as response rate to the customer survey was too low to provide a statistically reliable representation of customer satisfaction.			
Goldfields Esperance Development Commission	✓	✓	24/10/2000
Great Southern Development Commission	✓	✓	10/11/2000
Kimberley Development Commission	✓	✓	28/11/2000
Mid West Development Commission	✓	✓	27/11/2000
Peel Development Commission	✓	✓	22/11/2000
Perth International Centre for Application of Solar Energy	✓	Qualification	27/11/2000
<u>Reason for Qualified Opinion</u>			
The effectiveness indicator "Stakeholder satisfaction with the Centre achieving its objectives" is not appropriate for assisting users to assess performance. This is because the survey questions do not address the extent to which the Centre has achieved its outcome.			
Pilbara Development Commission	✓	✓	24/11/2000
Small Business Development Corporation	✓	✓	31/10/2000
South West Development Commission	✓	✓	01/11/2000
Wheatbelt Development Commission	✓	✓	01/11/2000

Summary Results of Agency Audits

Minister for Resources Development; Energy; Education; Leader of the House in the Legislative Assembly

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Country High School Hostels Authority	✓	✓	28/11/2000
Curriculum Council	✓	✓	24/10/2000
Department of Education Services	✓	✓	26/09/2000
Department of Resources Development	✓	✓	03/10/2000
Education Department of Western Australia	Qualification	✓	13/10/2000

Reason for Qualified Opinion

There were inadequate manual and computerised controls over payroll and leave records, resulting in incorrect payments to employees, delays in the detection and correction of errors in accounting records, and errors in leave records. The Department was also qualified on controls over payroll in 1998-99. Recognising the magnitude and incidence of errors in leave records, an opinion on whether the Employee Entitlements figures in the financial statements were fairly presented could not be formed.

In addition, financial details for a number of schools required for inclusion in the financial statements were not available or were incomplete. In consequence estimates were used as a substitute however these were not considered sufficiently reliable for annual financial statement purposes.

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Electricity Corporation	✓	NA	19/07/2000
Gas Corporation	✓	NA	06/10/2000
Office of Energy	✓	✓	21/09/2000
Trustees of the Public Education Endowment	✓	✓	06/11/2000
Western Australian Independent Gas Pipelines Access Regulator	✓	✓	31/10/2000
Western Australian Gas Disputes Arbitrator	✓	✓	23/10/2000

Summary Results of Agency Audits

Minister for Primary Industry; Fisheries

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Agricultural Practices Board of Western Australia	✓	✓	17/10/2000
Agriculture Western Australia	✓	✓	27/09/2000
Dried Fruits Board	Qualification	Not Submitted	31/10/2000
<u>Reason for Qualification</u>			
Under sections 16, 24 and 26 of the <i>Dried Fruits Act 1947</i> the Board is required to determine contributions to be collected from growers and collect registration fees from dealers and fruit packing sheds. The Board has not collected these contributions or fees during the year as it was awaiting passage of legislation to abolish the Board. The <i>Statutes (Repeals and Minor Amendments) Act 2000</i> came into effect on June 30, 2000 and repealed the Dried Fruits Board.			
<u>Reason for Non Submission</u>			
Performance indicators were not submitted as the Board did not undertake any activities during the period.			
Fisheries Department	✓	✓	06/10/2000
Herd Improvement Service of Western Australia	✓	✓	21/11/2000
Horticultural Produce Commission	✓	✓	15/11/2000
Landcare Trust	✓	✓	20/10/2000
Perth Market Authority	✓	✓	23/11/2000
Potato Marketing Corporation of Western Australia	✓	✓	30/11/2000
Rural Adjustment and Finance Corporation of Western Australia	✓	✓	15/11/2000

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
The Agriculture Protection Board of Western Australia	✓	✓	23/10/2000
The Potato Growing Industry Trust Fund Advisory Committee	✓	✓	17/10/2000
The Poultry Industry Trust Fund Committee (1/8/99 to 31/7/00)	✓	✓	27/11/2000
Western Australian Meat Industry Authority	✓	✓	15/11/2000

Audits In Progress

Dairy Industry Authority of Western Australia

The Grain Pool of WA (1/11/99 to 31/10/00)
Subsidiary: AgraCorp Pty Ltd (1/11/99 to 31/10/00)

The Western Australian Egg Marketing Board

Summary Results of Agency Audits

Minister for Mines; Tourism; Sport and Recreation; Racing and Gaming; Leader of the Government in the Legislative Council

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Betting Control Board (1/8/99-31/7/00)	✓	✓	22/11/2000
Chemistry Centre (WA)	✓	✓	22/08/2000
Coal Industry Superannuation Board	✓	✓	20/09/2000
Department of Minerals and Energy	✓	✓	06/10/2000
Gaming Commission of Western Australia	✓	✓	22/11/2000
Lotteries Commission	✓	✓	25/08/2000
Minerals and Energy Research Institute of Western Australia	✓	✓	15/11/2000
Ministry of Sport and Recreation	✓	✓	25/09/2000
North West Academy of Sport (Final Audit: 9/7/99-28/4/00)	✓	Qualification	30/05/2000
<u>Reason for Qualified Opinion</u>			
The effectiveness indicator of Indigenous Youth Access to Sport was compiled from data that was not verifiable.			
Office of Racing, Gaming and Liquor	✓	✓	13/10/2000
Racecourse Development Trust (1/8/99-31/7/00)	✓	✓	24/11/2000
Racing Penalties Appeal Tribunal of Western Australia (1/8/99-31/7/00)	✓	✓	23/11/2000
Recreation Camps and Reserve Board	✓	✓	28/09/2000
Rottneest Island Authority	✓	✓	29/08/2000
The Coal Miners' Welfare Board of Western Australia	✓	✓	22/11/2000
Totalisator Agency Board (1/8/99-31/7/00)	✓	✓	25/09/2000
Western Australian Boxing Commission	✓	✓	08/09/2000
Western Australian Greyhound Racing Authority	✓	✓	13/11/2000
Western Australian Institute of Sport	✓	✓	27/11/2000
Western Australian Sports Centre Trust	✓	✓	30/11/2000
Western Australian Tourism Commission	✓	✓	19/10/2000

Minister for Transport

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Albany Port Authority	✓	NA	29/09/2000
Bunbury Port Authority	✓	NA	01/09/2000
Broome Port Authority	✓	NA	29/09/2000
Commissioner of Main Roads	✓	✓	31/08/2000
Subsidiaries: Tarolinta Pty Ltd	✓	NA	31/08/2000
The Aberdeen Unit Trust	✓	NA	31/08/2000
Dampier Port Authority	✓	NA	15/09/2000
Department of Transport	Qualification	✓	13/10/2000
<u>Reason for Qualified Opinion</u>			
Regular and timely reconciliations of the Department's bank accounts were not performed during the financial year and items totalling \$2 674 000 were still to be reconciled at year end. In consequence Cash at Bank in the Statement of Financial Position and Schedule of Administered Items – Cash disclosed in Note 37 could not be verified.			
Esperance Port Authority	✓	NA	29/09/2000
Fremantle Port Authority	✓	NA	31/08/2000
Geraldton Port Authority	✓	NA	29/09/2000
Metropolitan (Perth) Passenger Transport Trust	✓	✓	18/09/2000
Port Hedland Port Authority	✓	NA	15/09/2000

Summary Results of Agency Audits

Minister for Transport

Audit Opinions (continued)

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
The Eastern Goldfields Transport Board	✓	Qualification	31/10/2000
<u>Reason for Qualified Opinion</u>			
The Board was unable to accurately measure the number and distribution of people needful of public transport in the area of its operations and therefore was unable to report this key effectiveness indicator.			
The Western Australian Government Railways Commission	✓	✓	24/08/2000
Western Australian Coastal Shipping Commission	✓	✓	22/09/2000

Minister for the Environment; Labour Relations

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Botanic Gardens and Parks Authority	✓	✓	16/11/2000
Commissioner of Workplace Agreements	✓	✓	20/10/2000
Construction Industry Long Service Leave Payments Board	✓	✓	07/11/2000
Department of Conservation and Land Management	✓	✓	15/09/2000
Department of Environmental Protection	✓	✓	13/10/2000
Department of Productivity and Labour Relations	✓	✓	15/09/2000
Department of the Registrar, Western Australian Industrial Relations Commission	✓	✓	29/09/2000
Workers' Compensation and Rehabilitation Commission	✓	✓	29/08/2000
WorkSafe Western Australia	✓	✓	06/10/2000
Zoological Gardens Board	✓	✓	24/10/2000

Summary Results of Agency Audits

Minister for Lands; Fair Trading; Parliamentary and Electoral Affairs

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Department of Land Administration	✓	✓	11/10/2000
Ministry of Fair Trading	Qualification	✓	13/10/2000
<u>Reason for Qualified Opinion</u>			
The Ministry's Business Names Branch was not recording or banking postal revenue collections for periods of up to six weeks contrary to Treasurer's Instruction 206. Further, money resulting from a civil penalty was credited to the Ministry's Operating Account rather than to the Consolidated Fund as required by the <i>Constitution Act 1889</i> and the <i>FAAA</i> .			
Real Estate and Business Agents Supervisory Board	✓	✓	14/11/2000
Settlement Agents Supervisory Board	✓	✓	14/11/2000
Western Australian Electoral Commission	✓	✓	04/10/2000
Western Australian Land Authority	✓	✓	16/08/2000

Minister for Police; Emergency Services

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Fire and Emergency Services Authority of Western Australia	✓	✓	08/11/2000
Police Service	✓	✓	06/10/2000
Western Australian Fire Brigades Superannuation Board	✓	✓	31/10/2000

Summary Results of Agency Audits

Minister for Planning; Heritage; Minister Assisting the Treasurer

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Building and Construction Industry Training Board	✓	✓	31/10/2000
East Perth Redevelopment Authority	✓	✓	16/11/2000
Government Employees Superannuation Board	Qualification	✓	30/11/2000
<u>Reason for Qualified Opinion</u>			
Although employer agencies have the primary obligation to ensure that employee superannuation information provided to the Board is correct, the Board has a statutory obligation to take reasonable steps to ensure the accuracy of this information. A significant level of inaccuracies in superannuation information provided to the Board by employer agencies continued to be identified. Accordingly a substantial proportion of employee superannuation contributions were incorrect. The net effect of these member account inaccuracies did not have a material effect on the Board's financial statements.			
Heritage Council of Western Australia	✓	✓	20/11/2000
Insurance Commission of Western Australia	✓	✓	31/08/2000
Midland Redevelopment Authority	✓	Not Submitted	27/11/2000
<u>Reason for Non Submission</u>			
The Authority commenced operations on January 1, 2000 and in consequence only operated for part of the financial period.			
Ministry for Planning	✓	✓	13/10/2000
State Government Insurance Corporation	✓	✓	31/08/2000
State Revenue Department	✓	✓	06/10/2000

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Subiaco Redevelopment Authority	✓	✓	16/11/2000
The Burswood Park Board			
The National Trust of Australia (W.A)	✓	Qualification	10/11/2000
<u>Reason for Qualified Opinion</u>			
The Heritage Education and Awareness indicator was based on results of a national customer survey however the number of WA responses to that survey was insufficient to provide a statistically reliable indication of customer satisfaction with activities provided by the National Trust (WA).			
Valuer General's Office	✓	✓	29/09/2000
Western Australian Planning Commission	✓	✓	31/10/2000

Summary Results of Agency Audits

Attorney General; Minister for Justice

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Commissioner for Equal Opportunity	✓	✓	06/10/2000
Law Reform Commission of Western Australia	✓	✓	14/11/2000
Legal Aid Commission of Western Australia	✓	✓	30/08/2000
Legal Contribution Trust (1/7/99-31/12/99)	✓	✓	31/05/2000
Legal Contribution Trust (1/1/2000-30/6/2000)	✓	✓	08/11/2000
Legal Costs Committee	✓	✓	07/11/2000
Ministry of Justice	✓	Qualification	16/10/2000
<u>Reason for Qualified Opinion</u>			
The backlog indicator of Case Processing output does not include measures for Family Court, Magistrates Court (Civil) and the Coroner's Court. Accordingly it is not appropriate for assisting users to assess these Courts' performance.			
Office of the Director of Public Prosecutions	✓	✓	12/10/2000
Office of the Information Commissioner	✓	✓	06/10/2000
Office of the Inspector of Custodial Services	✓	Not Submitted	25/08/2000
<u>Reason for Non Submission</u>			
The Office commenced operations on June 1, 2000 and in consequence only operated for part of the financial period.			
Professional Standards Council (1/1/99-31/12/99)	✓	✓	31/05/2000
Public Trustee	✓	✓	24/11/2000

Minister for Housing; Aboriginal Affairs; Water Resources

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Aboriginal Affairs Department	✓	✓	31/10/2000
Bunbury Water Board	✓	✓	15/09/2000
Busselton Water Board	Qualification	✓	30/11/2000

Reason for Qualified Opinion

Regular and timely reconciliations of payroll accounts to the General Ledger were not done during the year. Consequently there has been no effective control to identify and correct discrepancies between payroll and the General Ledger accounts.

Country Housing Authority	✓	✓	14/11/2000
Government Employees' Housing Authority	✓	✓	15/11/2000
Office of Water Regulation	✓	✓	18/09/2000
Swan River Trust	✓	✓	08/11/2000
The Aboriginal Affairs Planning Authority	Qualification	Not Submitted	31/10/2000

Reason for Qualified Opinion

The Aboriginal Lands Trust – Mining Rents and Royalties Trust Account and its related bank account continued to operate without Treasurer's Approval in contravention of the *FAAA* until its closure in June 2000. The closure of the account however resolved this compliance issue that had existed since 1988-89.

Reason for Non Submission

The Authority has not submitted performance indicators as its function and charter were assumed by the Aboriginal Affairs Department.

Summary Results of Agency Audits

Minister for Housing; Aboriginal Affairs; Water Resources

Audit Opinions (continued)

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
The State Housing Commission	✓	✓	30/08/2000
Subsidiaries: Homeswest Loan Scheme Trust	✓	NA	24/08/2000
Keystart Bonds Limited	✓	NA	24/08/2000
Keystart Housing Scheme Trust	✓	NA	24/08/2000
Keystart Loans Limited	✓	NA	24/08/2000
Keystart Support (Subsidiary) Pty Ltd	✓	NA	24/08/2000
Keystart Support Pty Ltd	✓	NA	24/08/2000
Keystart Support Trust	✓	NA	24/08/2000
Water and Rivers Commission	✓	✓	30/11/2000
Water Corporation	✓	NA	29/08/2000

Minister for Health

Metropolitan Agencies

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Department and Statutory Authorities			
Animal Resources Authority	✓	✓	17/11/2000
Health Department of Western Australia	✓	✓	14/11/2000
Office of Health Review	✓	✓	03/11/2000
The Queen Elizabeth II Medical Centre Trust	✓	✓	24/11/2000
The Western Australian Centre for Pathology and Medical Research	✓	✓	17/10/2000
Western Australian Alcohol and Drug Authority	✓	✓	30/11/2000
Western Australian Health Promotion Foundation	✓	✓	20/10/2000
Metropolitan Health Services			
Metropolitan Health Service Board	✓	✓	01/12/200
Hawthorn Hospital	✓	✓	24/10/2000
Quadriplegic Centre Board	✓	✓	15/11/2000

Summary Results of Agency Audits

Minister for Health (continued)

Non-Metropolitan Agencies

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Avon			
Avon Health Service	✓	✓	10/11/2000
Bunbury			
Bunbury Health Service	✓	✓	10/11/2000
Central Great Southern			
Gnowangerup District Hospital Board	✓	✓	17/11/2000
Katanning Health Service	✓	✓	16/11/2000
Kojonup District Hospital Board	✓	✓	17/11/2000
Tambellup Hospital Board	✓	✓	17/11/2000
Central Wheatbelt			
Beverley Health Services	✓	✓	17/11/2000
Bruce Rock Memorial Hospital Board	✓	✓	20/11/2000
Corrigin District Hospital Board	✓	✓	17/11/2000
Cunderdin District Hospital Board	✓	✓	20/11/2000
Quairading District Hospital Board	✓	✓	17/11/2000
East Pilbara			
East Pilbara Health Service	✓	✓	24/11/2000
Eastern Wheatbelt			
Kellerberrin Health Services Board of Management	✓	✓	07/11/2000
Kununoppin and Districts Health Service	✓	✓	13/11/2000
Merredin Health Service	✓	✓	17/11/2000
Mukinbudin Health Service	✓	✓	10/11/2000
Narembeen Health Services Board	✓	✓	14/11/2000
Southern Cross District Health Service	✓	✓	20/11/2000
Wyalkatchem-Koorda and Districts Hospital Board	✓	✓	20/11/2000

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Gascoyne			
Gascoyne Health Service	✓	✓	09/11/2000
Geraldton Geraldton Health Service	✓	✓	10/11/2000
Kimberley			
Kimberley Health Service	✓	✓	23/11/2000
Lower Great Southern			
Lower Great Southern Health Service Board	✓	✓	30/11/2000
Midwest			
Dongara Health Service	✓	✓	22/11/2000
Morawa and Districts Health Service	✓	✓	22/11/2000
Mullewa Health Services, Board of Management	✓	✓	22/11/2000
North Midlands Health Service	✓	✓	22/11/2000
Northampton Kalbarri Health Services	✓	✓	23/11/2000
Yalgoo Health Services	✓	✓	22/11/2000
Murchison Health Service	✓	✓	06/11/2000
Northern Goldfields			
Kalgoorlie-Boulder Health Service	✓	✓	24/11/2000
Laverton and Leonora Health Service	✓	✓	20/11/2000
Peel			
Peel Health Services	✓	✓	28/11/2000
Upper Great Southern			
Boddington District Hospital Board	✓	✓	16/11/2000
Brookton Health Service	✓	✓	16/11/2000
Upper Great Southern Health Service	✓	✓	21/11/2000

Summary Results of Agency Audits

Minister for Health

Non-Metropolitan Agencies

Audit Opinions (continued)

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Vasse-Leeuwin			
Vasse-Leeuwin Health Board	✓	✓	13/11/2000
Warren-Blackwood			
Warren Blackwood Health Service Board	✓	✓	29/11/2000
Wellington			
Collie Health Service	✓	✓	20/11/2000
Donnybrook/Balingup Health Service	✓	✓	20/11/2000
Harvey Yarloop Health Service Board	✓	✓	21/11/2000
West Pilbara			
Ashburton Health Service	✓	✓	30/11/2000
Nickol Bay Hospital Board	✓	✓	30/11/2000
Roebourne District Hospital	✓	✓	24/11/2000
Wickham District Hospital	✓	Qualification	24/11/2000
<u>Reason for Qualified Opinion</u>			
Effectiveness indicator "Inpatient Satisfaction" has not been reported due to a low number of survey responses received.			
Western Wheatbelt			
Western Health Service	✓	✓	30/11/2000

Audits In Progress

Local Health Authorities Analytical Committee

South East Coastal

Dundas Health Service

Esperance Health Service

Ravensthorpe Health Service

Auditor General WA

Minister for Employment and Training; Youth; the Arts

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Building and Construction Industry Training Board	✓	✓	31/10/2000
Ministry for Culture and the Arts	✓	✓	08/09/2000
Perth Theatre Trust	✓	✓	28/11/2000
Screen West (Inc)	✓	✓	03/11/2000
The Board of the Art Gallery of Western Australia	✓	✓	24/11/2000
The Library Board of Western Australia	✓	✓	17/10/2000
The Western Australian Museum	✓	Qualification	30/11/2000
<u>Reason for Qualified Opinion</u>			
The effectiveness indicator "Visitor Survey" is not based on a methodology that minimises the level of error in the findings. In consequence the indicator is not a fair measure of effectiveness as the survey results may be misleading or biased.			
Western Australian Department of Training and Employment	✓	✓	06/10/2000

Summary Results of Agency Audits

Minister for Local Government; Disability Services; Forest Products

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Department of Local Government	✓	✓	24/10/2000
Disability Services Commission	✓	✓	31/10/2000
Keep Australia Beautiful Council (W.A)	✓	✓	24/11/2000
Metropolitan Cemeteries Board	✓	✓	24/10/2000

Cemeteries Act Audits

Cemetery Boards audited under the *Cemeteries Act* do not have a statutory date for submitting financial statements.

Details of Cemetery Board audits completed are as follows:

Albany Cemetery Board	✓	NA	30/11/2000
Bunbury Cemetery Board	✓	NA	03/11/2000
Dwellingup Cemetery Board	✓	NA	28/11/2000
Geraldton Cemetery Board	✓	NA	03/11/2000
Kalgoorlie-Boulder Cemetery Board	✓	NA	28/11/2000
Nabawa Cemetery Board	✓	NA	01/09/2000
South Caroling Cemetery Board	✓	NA	23/11/2000

Audits In Progress

Fremantle Cemetery Board

Upper Preston-Lowden Cemetery Board

Not Submitted

Chowerup Cemetery Board

Minister for Family and Children’s Services; Seniors; Women’s Interests

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Department for Family and Children’s Services	✓	✓	27/09/2000

Summary Results of Agency Audits

Minister for Works; Services; Citizenship and Multicultural Interests

Audit Opinions

	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Department of Contract and Management Services	✓	✓	13/10/2000
Office of Citizenship and Multicultural Interests	✓	✓	06/10/2000
State Supply Commission	✓	✓	08/09/2000
Western Australian Building Management Authority	✓	✓	24/10/2000