

# AG



AUDITOR GENERAL  
FOR WESTERN AUSTRALIA

*Serving the Public Interest*

## Auditor General's Report

**Audit Results Report by  
Ministerial Portfolios at 16 October 2006**



Report 10  
October 2006



**AUDITOR GENERAL  
FOR WESTERN AUSTRALIA**

**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

**AUDIT RESULTS REPORT BY MINISTERIAL PORTFOLIOS AT 16 OCTOBER 2006**

I submit this Report under section 95 of the *Financial Administration and Audit Act 1985* (FAAA) covering assurance services activity to 16 October 2006.

This Report includes:

- opinions issued under the FAAA on or before 16 October 2006 on the controls, financial statements and performance indicators of departments, statutory authorities and subsidiary bodies with reporting dates primarily on 30 June and 31 July 2006
- opinions issued on the financial statements of corporatised bodies reporting under their enabling legislation and other entities where audits were requested by the Treasurer
- audit certifications of financial and statistical information produced by agencies to discharge conditions of Commonwealth funding, grants and other legislation
- commentary on agencies' compliance with earlier reporting requirements and other management issues significant enough to bring to the attention of the Parliament
- details of continuing and emerging issues and developments that will impact on accountability, audit practice and financial reporting in 2006-07.

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

COLIN MURPHY  
ACTING AUDITOR GENERAL

25 October 2006



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## Executive Summary

We acknowledge the substantial contribution of the former Auditor General, Mr Des Pearson, to public sector auditing in Western Australia during his 15 years in office.

Since 1991 the composition, culture and complexity of the public sector and its accountability moved from:

- manual accounting systems to technologically advanced computerised information systems
- cash based reporting based on annual budgets to accrual based financial management including audited performance indicators prepared with an outcomes based focus over a rolling three year planning period
- five month reporting replaced with 90 days reporting to Parliament by all agencies.

Audit strategies and methodologies were progressively developed and implemented to meet the challenges of the changing public sector environment and ensure that Parliament and the people were served without fear or favour. Staff and systems moved with the times and delivered quality services to address the demand for increased accountability.

### Public Sector Achievements in 2005-06

This has been an unprecedented year of change in public sector financial reporting and auditing. The major challenges for agencies and our audit staff were earlier annual reporting to Parliament and presenting financial statements based on Australian Equivalents to International Financial Reporting Standards (AIFRS) for the first time.

On 27 September 2006 the Treasurer tabled the audited Annual Report on State Finances in Parliament. This Report provides timely whole-of-government financial statements, based on AIFRS, and statistical disclosures, some of which were previously unaudited.

### Agency Achievements and Challenges

Audit opinions on all except three agencies with a 30 June 2006 reporting date were issued by 29 September 2006. One audit is in progress and the other two agencies still have not submitted their financial statements and performance indicators for audit. This result was a major achievement requiring significant effort from both agencies and audit staff. In addition, annual reports of 118 agencies were tabled in Parliament by 28 September 2006, being 90 days after their 30 June 2006 end of financial year.





In general, agencies improved the timeliness of their year end reporting practices and submitted their financial reports earlier for audit. However, this was often achieved without adequate quality assurance procedures being completed within each agency, requiring many errors to be corrected during the audit process. Working papers in many agencies were incomplete when the audit commenced.

Three agencies received qualified opinions on their controls and one of these agencies also received a qualified opinion on its financial statements and performance indicators. In addition, over 65 agencies were advised of significant and/or moderate control weaknesses that need to be addressed. These were in addition to our ongoing concern that information systems environments in many agencies continue to operate with minimum levels of control.

### **Future Audit Priorities and Changes to Audit Practice**

Our office will again be challenged by changes in legislation, through the Financial Management Bill 2006 and Auditor General Bill 2006 currently before Parliament, and changes in standards in the coming year. We will continue to communicate and work with agencies and the Department of Treasury and Finance (DTF) during the year to address these challenges and minimise the impact during final audits at year end.

Assurance services audit activity from 2006-07 to 2008-09 will focus on:

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



## Executive Summary ... continued

### Key Findings

#### Audit of Annual Report on State Finances

- *A milestone in State financial reporting was achieved when the first audited Annual Report on State Finances was tabled by the Treasurer in Parliament on 27 September 2006. (Page 7)*

#### Audit Results for Agencies

- *Audit opinions for all but three of the 164 agencies with a 30 June 2006 reporting date were issued by 29 September 2006. Two agencies have not yet submitted their financial statements and performance indicators. (Page 10)*
- *118 out of 137 agencies with a 30 June 2006 reporting date had their annual reports tabled in Parliament within 90 days of their end of financial year as required by the FAAA. (Page 10)*
- *Most agencies submitted their AIFRS compliant 2005-06 financial statements, performance indicators and related working papers for audit within the agreed timeframes for earlier financial reporting. However, many did not meet expected quality standards. (Page 10)*
- *Three qualified opinions on controls were issued, the same number as in 2004-05. Two were continuations of qualifications from previous years. One of these agencies also received a qualified opinion on its financial statements and performance indicators. (Pages 11 and 14)*
- *Eight agencies did not comply with the legislative requirement to submit performance indicators – two were created in 2005, three are developing performance indicators, two are ceasing operations and one continues not to comply with the requirement. (Page 13)*

#### Management Letter Issues

- *Over 65 agencies had significant and/or moderate management control weaknesses brought to their attention. (Page 17)*
- *Although agencies have established minimum levels of control within their information systems environments, improvements continue to be needed particularly in the areas of security and business continuity planning. (Page 19)*
- *Many agencies need to improve their performance management practices as 30 per cent of agencies reviewed were not routinely reporting key performance indicators to executive management or Boards for ongoing monitoring of performance and trends. In 2004-05 the result was 38 per cent. (Page 21)*
- *Only one of the 17 agencies required to table an approved Statement of Corporate Intent for 2006-07 in Parliament prior to 1 July 2006 complied with this corporate governance requirement of its legislation. (Page 21)*



# 1. Audit of Annual Report on State Finances

- *A milestone in State financial reporting was achieved when the first audited Annual Report on State Finances was tabled by the Treasurer in Parliament on 27 September 2006.*

The first Annual Report on State Finances (ARSF) was prepared by the Department of Treasury and Finance (DTF) for the year ending 30 June 2006, audited by the Auditor General and tabled in Parliament by the Treasurer on 27 September 2006. The ARSF brings together significant financial information for the Government of Western Australia not previously audited<sup>(1)</sup>, as well as the Consolidated Financial Statements for the State, and summary information on the Treasurer's Accounts.

Auditing this information for the first time provided significant challenges for:

- DTF, whose related records needed to withstand audit scrutiny
- Our audit staff who needed to become familiar with new standards and develop appropriate audit procedures. It was also necessary to audit comparative information for 2004-05 which was included in the ARSF but had not previously been audited.
- DTF, Audit and major agencies coordinated their activities to enable the consolidation process to be completed earlier so that the ARSF could be tabled within 90 days of year end.

A further significant challenge for DTF and our audit staff was that financial information received from agencies for consolidation into the ARSF was prepared for the first time on the basis of Australian Equivalents to International Financial Reporting Standards (AIFRS).

## Reporting and Auditing Achievements

DTF, Audit and agencies met the challenges detailed above, with the audited ARSF tabled in Parliament within 90 days of year end. This meant that the audit of the Consolidated Financial Statements in the ARSF was completed five weeks earlier than last year.

This more timely, comprehensive and audited whole-of-government financial disclosure should enhance the ability of key stakeholders such as the Parliament, credit rating agencies and the general community to assess the financial performance of the State.

<sup>(1)</sup> The standards that apply to the preparation and audit of this information are Government Finance Statistics (GFS), as promulgated in the Australian Bureau of Statistics' (ABS) Australian System of Government Finance Statistics – Concepts, Sources and Methods 2005 publication (ABS 5514.0)



## 1. Audit of Annual Report on State Finances ... continued

This achievement is expected to further entrench Western Australia at the top of Fiscal Transparency Rankings for Australia<sup>(2)</sup> and was made possible by:

- thorough planning by DTF and Audit
- a revised audit process where financial information received from agencies for consolidation was audited concurrently with the audits of the agencies
- earlier completion of the audits for most major agencies in compliance with the amended FAAA.

## Background and Content of the Annual Report on State Finances

The preparation and audit of the ARSF is a requirement under amendments made in 2005 to the *Government Financial Responsibility Act 2000*. The ARSF is prepared by DTF and in broad terms comprises:

- The Consolidated Financial Statements prepared in accordance with Australian Accounting Standards from information provided by individual government agencies. These statements are audited annually.
- Statistical tables prepared in accordance with the Government Finance Statistics (GFS) framework<sup>(3)</sup>. This information was previously reported in the unaudited Government Financial Results Report but has been audited for the first time in 2005-06. The information used in these statistical tables is from the same source as that used in the Consolidated Financial Statements. However, some balances are adjusted in accordance with the GFS framework.
- The Treasurer's Accounts prepared in accordance with the requirements of the Government Financial Responsibility Regulations 2006.
- Commentary on the State's financial performance and position which was reviewed by Audit for consistency with the audited information.

The Annual Report on State Finances can be found at [www.dtf.wa.gov.au](http://www.dtf.wa.gov.au) under State Finance Publications.

<sup>(2)</sup> In August 2006, Access Economics ranked Western Australia ahead of all other states for fiscal transparency.

<sup>(3)</sup> *ibid*, pg7





## 2. Audit Results for Agencies

- *Audit opinions for all but three of the 164 agencies with a 30 June 2006 reporting date were issued by 29 September 2006. Two agencies have not yet submitted their financial statements and performance indicators.*
- *118 of the 137 agencies with a 30 June 2006 reporting date had their annual reports tabled in Parliament within 90 days of their end of financial year as required by the FAAA.*
- *Most of agencies submitted their AIFRS compliant 2005-06 financial statements, performance indicators and related working papers for audit within the agreed timeframes for earlier financial reporting. However, many did not meet expected quality standards.*
- *Three qualified opinions on controls were issued, the same number as in 2004-05. Two were continuations of qualifications from previous years. One of these agencies also received a qualified opinion on its financial statements and performance indicators.*
- *Eight agencies did not comply with the legislative requirement to submit performance indicators – two were created in 2005, three are developing performance indicators, two are ceasing operations and one continues not to comply with the requirement.*

### Matters Addressed by Agencies

2005-06 has seen the beginning of the earlier annual reporting regime introduced through amendments to the FAAA. It is a significant achievement that the annual reports of 118 of the 137 agencies with a 30 June 2006 reporting date were tabled in Parliament within 90 days of year end. Furthermore, these annual reports included financial statements presented and audited on an AIFRS basis for the first time – another considerable achievement.

#### Earlier Annual Reporting

For 2005-06 earlier annual reporting timeframes were enacted in the amended FAAA. The responsible Minister is now required to table each agency's annual report, containing audited financial statements and performance indicators, where applicable, within 90 days of the agency's end of financial year. Where this is not achievable, the Minister is to report the reasons to Parliament and indicate the anticipated date when the annual report will be tabled.



## 2. Audit Results for Agencies ... continued

Guidelines produced by the Accelerated Reporting Steering Committee, created by DTF with representation from agencies and Audit, placed emphasis on agencies preparing earlier for year end. This included both financial statements and the non-financial information required to be in their annual report.

Timeframes and reporting targets were negotiated with agencies to ensure submission for audit on or before an agreed date. Adequate quality control procedures in agencies for preparation and review of financial statements, performance indicators, accompanying notes and supporting working papers were also required to avoid unnecessary delays in the preparation and auditing processes.

The Committee also encouraged agencies to bring forward the preparation of non-financial information in annual reports. By providing these drafts earlier to their Minister, agencies could prevent delays in tabling their annual reports in Parliament as their audited financial statements could be added as soon as they became available.

Most agencies submitted their 2005-06 financial statements, performance indicators and related working papers for audit within the agreed timeframes. Generally, we were able to commence audits as scheduled. However, many agencies did not meet expected quality standards and often working papers were deficient. Despite these set backs, considerable effort by our staff and contractors, along with agency staff, resulted in significant achievements:

- Audit opinions for 161 agencies with a 30 June 2006 reporting date were issued by 29 September 2006. One agency was unable to provide accounts for audit as planned and two agencies have not yet submitted their financial statements and performance indicators for audit.
  - The audit of the Department of Education and Training (DET) was not completed before 29 September as DET was unable to meet the agreed audit timetable due to industrial action by school registrars. This audit is currently in progress.
  - At 16 October 2006, the financial statements and performance indicators of the Local Health Authorities Analytical Committee and the Professional Standards Council had not been submitted for audit. Late or non-submission is a recurring problem for these two agencies.
- Annual reports of 118 agencies (86 per cent) with a 30 June 2006 reporting date were tabled in Parliament within 90 days of their end of financial year.

Agencies whose annual reports were not tabled within 90 days are listed in Appendix 2, page 42.



## **AIFRS – Australian Equivalents to International Financial Reporting Standards**

Agencies' financial statements, including comparative figures, were audited for AIFRS compliance for the first time in 2005-06. This required additional audit and agency resources in 2005-06. Overall the implementation of AIFRS was well managed, particularly by those agencies that were most affected by the new standards.

## **Action on Previous Qualifications**

Three qualified audit opinions were issued in 2004-05 and only one was removed during 2005-06.

Ongoing qualifications (refer Table 2, page 14) relating to controls remain for:

- Rottnest Island Authority over landing fee revenue collected by third parties
- The Minister for Health in his Capacity as the Deemed Board of the Metropolitan Public Hospitals over postal remittance procedures relating to Special Purpose Accounts.

The previous ongoing audit qualification on controls at the Government Employees Superannuation Board was removed at 30 June 2006. During 2005-06 the Board's financial management system was improved to facilitate the identification of individual items in general ledger clearing accounts. This enabled reconciling items to be cleared promptly to appropriate accounts for reporting purposes.



## 2. Audit Results for Agencies ... continued

### Summary of Audit Opinions

Five qualified audit opinions, three on controls, one on financial statements and one on performance indicators, were issued to three of the 176 agencies audited with 30 June or 31 July 2006 reporting dates.

Audit opinions were revised for 2005-06 to be a single letter covering financial statements, controls and, where applicable, performance indicators. In previous years, a separate opinion was issued for performance indicators. The audit opinion is included in each agency's annual report when tabled in Parliament.

The results of 176 financial statement and controls and performance indicator audits (refer Appendix 1) and 10 audit certifications (refer Appendix 3) completed between 31 March 2006 and 16 October 2006, primarily for agencies with financial periods ending on 30 June and 31 July 2006, are as follows:

- audit opinions issued on controls, financial statements and performance indicators
  - 37 departments
  - 100 statutory authorities
- audit opinions issued on financial statements
  - Annual Report on State Finances
  - 16 corporatised entities
  - 10 subsidiary entities and a further 7 with 31 December 2005 financial year end
  - 5 request audits
- 10 audit certifications of financial and statistical information produced by agencies to discharge conditions of Commonwealth funding, grants or other legislation.





Eight agencies (Table 1) did not submit performance indicators as required by the FAAA, compared with seven last year.

Agency	Reasons for Non-submission of Performance Indicators
1. Aboriginal Affairs Planning Authority	Performance indicators have not been submitted by the Authority since commencement of the FAAA in 1986. Measurable functions and activities relevant to the Authority's charter are performed by the Department (now Indigenous Affairs).
2. Administration of the Legislative Assembly and 3. Parliamentary Services Department	Administrations of the Parliament have not complied with performance indicator requirements of the FAAA since commencement of the Act except the Administration of the Legislative Council which complied for the first time this year.  The Administration of the Legislative Assembly and the Parliamentary Services Department have advised they are in the process of developing performance indicators and intend to report these in 2006-07.
4. Agricultural Practices Board of Western Australia	Functions of the Board reduced during 2005-06 and legislation to repeal their Act is currently being drafted.
5. Department of Water	The Department did not conduct any financial operations or perform any specific activities since its creation on 26 October 2005.
6. Office of Shared Services	The Office commenced on 1 July 2005 but did not operate as a service provider during 2005-06. The Office has advised that it is developing performance indicators and intends to report these in 2006-07.
7. Parliamentary Inspector of the Corruption and Crime Commission	The Parliamentary Inspector has advised he is in the process of developing performance indicators and intends to report these in 2006-07.
8. Perth International Centre for Application of Solar Energy (CASE)	Ceased to submit performance indicators in 2002-03 when the decision to wind up CASE was taken. The activities of CASE are still being wound down. Legislation to repeal their Act received Royal Assent on 3 October 2006 and becomes operative 28 days after receiving Assent.

**Table 1: Agencies not submitting 2005-06 performance indicators and their reason**

Source: OAG



## 2. Audit Results for Agencies ... continued

### Qualifications Issued

Three agencies received qualified opinions on their controls and one of these agencies also received a qualified opinion on their financial statements and performance indicators. This is a slight increase on 2004-05 when three qualified opinions on controls and no qualified opinions on financial statements or performance indicators were issued.

Details of qualified opinions issued and related comments are set out below in Table 2. The full opinion appears in the annual report of each agency.

Agency	Details of Qualification
<p><b>Eastern Goldfields Transport Board</b></p> <p><i>Three qualified opinions issued – controls, financial statements and performance indicators</i></p>	<p><b>Controls, Financial Statements and Performance Indicators:</b> The Board did not issue tickets to customers who paid cash for their bus travel and did not maintain other adequate controls to ensure that all cash collections from bus fares were brought to account.</p> <p>In the absence of a ticketing system or other means of counting passenger boardings, an opinion could not be formed as to whether bus fares of \$332 192 included in User Charges of \$655 030 recognised in the Income Statement, and Total Passenger Boardings for public transport services of 261 000 reported in the effectiveness performance indicators, were fairly presented.</p>
<p><b>Minister for Health in his capacity as the Deemed Board of the Metropolitan Public Hospitals</b></p> <p><i>Qualified opinion on controls</i></p>	<p><b>Controls:</b> Controls exercised over postal remittances relating to Special Purpose Accounts were not adequate as not all remittances were being opened and recorded before being forwarded to individuals. Consequently, assurance could not be provided that all postal remittances had been receipted and properly brought to account.</p> <p>Reconciliation of its bank account to the general ledger during the period January to 30 June 2006 was not achieved as there were a significant number of unexplained reconciling items in existence throughout that period and at year end. Subsequent to year end, the unexplained reconciling items were identified.</p>
<p><b>Rottneest Island Authority</b></p> <p><i>Qualified opinion on controls</i></p>	<p><b>Controls:</b> The Authority relied on information provided by third parties to determine the landing fee revenue due to the Authority. The Authority did not have controls in place to verify the accuracy and completeness of information provided.</p> <p>The absence of these controls did not have a material effect on the Authority's financial statements.</p>

Table 2: Qualified audit opinions

Source: OAG





## Better Practice Agencies

Thirty-four agencies displayed better practice in managing their financial reporting in 2005-06 (refer Table 3). Ten agencies are acknowledged for their ongoing status on this list as their commitment to delivering timely quality financial reports greatly assists in the conduct of efficient audits as scheduled.

In addition to receiving a clear audit opinion, our 2005-06 criterion for better practice agencies included:

- good quality final financial statements and performance indicators, supported by reliable working papers, being submitted within the agreed timeframe
- key staff being available during the audit process
- an effective internal audit function (not previously a criteria).

Rating was from strongly agree (5) through to strongly disagree (1) against the categories. Better practice agency scores were close to 30. Disappointingly, 25 per cent of agencies scored lower than 18.

The conduct of comprehensive internal quality assurance processes and informed management review of the financial statements prior to submission for audit are essential elements evident in better practice agencies. A key part of the management review process is also having an effective internal audit function.

These agencies gain earlier notice of any audit findings and remedial action can be effected before the audit process is concluded and the opinion issued. Furthermore, the audit process is more efficient where agencies employ the above criterion.



2. Audit Results for Agencies ... continued

Departments	Statutory Authorities
Department of Consumer and Employment Protection	Board of the Art Gallery of Western Australia
Department of Culture and the Arts	Burswood Park Board
Department of Land Information*	Disability Services Commission*
Department of Local Government and Regional Development	Great Southern Development Commission
Department of the Registrar, Western Australian Industrial Relations Commission*	Heritage Council of Western Australia
	Insurance Commission of Western Australia *
	Keep Australia Beautiful Council (WA)
	Library Board of Western Australia
	Metropolitan Cemeteries Board
	Office of Health Review
	Peel Development Commission
	Perth Theatre Trust
	Potato Marketing Corporation of Western Australia
	Screen West (Inc)
	South West Development Commission*
	State Government Insurance Corporation*
	State Housing Commission
	Swan Bells Foundation Inc
	Western Australian Health Promotion Foundation
	Western Australian Museum
	Western Australian Tourism Commission
	Wheatbelt Development Commission
	WorkCover Western Australia Authority
<b>Corporatised Entities</b>	
Bunbury Port Authority*	
Dampier Port Authority	
Electricity Retail Corporation – Synergy	
Fremantle Port Authority*	
Water Corporation*	
Western Australian Land Authority*	

**Table 3: Better practice agencies for 2005-06**

*\* Also acknowledged as better practice agencies in 2004-05*

Source: OAG





### 3. Management Letter Issues

- *Over 65 agencies had significant and/or moderate management control weaknesses brought to their attention.*
- *Although agencies have established minimum levels of control within their information systems environments, improvements continue to be needed particularly in the areas of security and business continuity planning.*
- *Many agencies need to improve their performance management practices as 30 per cent of agencies reviewed were not routinely reporting key performance indicators to executive management or Boards for ongoing monitoring of performance and trends. In 2004-05 the result was 38 per cent.*
- *Only one of the 17 agencies required to table an approved Statement of Corporate Intent for 2006-07 in Parliament prior to 1 July 2006 complied with this corporate governance requirement of its legislation.*

Management letters noting any significant, moderate or minor audit findings are sent to the Minister and agency management at the conclusion of each audit. Some agencies also receive management letters at the conclusion of their interim audit. In many instances, the shortcomings have been reviewed by agency management and their policies, procedures or practices have been improved prior to finalisation of the audit. However, where they remain outstanding, agency responses or further action being undertaken is noted. These issues are reviewed in the next audit and reconsidered when forming the audited opinion.

Our audit plans for 2006-07 will give more detailed attention to reviewing action taken by agencies to address previously reported management issues and to improve the quality and timeliness of their financial reporting.

### Controls

The FAAA requires the Auditor General to audit agency accounts and to form an opinion on controls. Our audit assesses the reliability of internal control systems and procedures to record and report reliable financial information and key performance indicators. Management issues and weaknesses in controls and legislative financial compliance vary across agencies and our findings are reported to management for action.

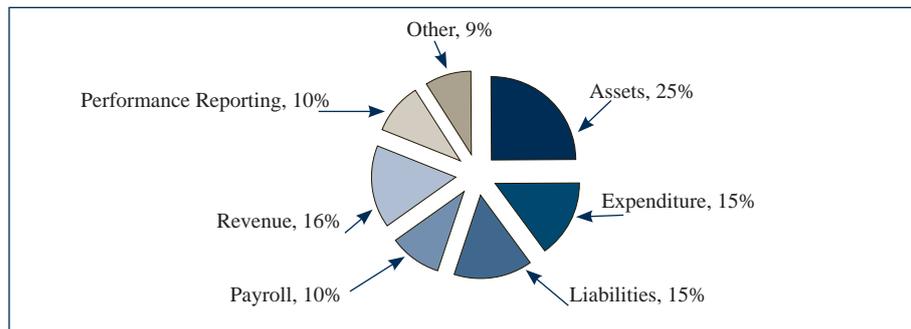
We sent over 80 schedules of management issues to agencies detailing issues of concern. Over 65 of these identified multiple issues classified as:

- moderate - of sufficient concern to warrant action being taken as soon as possible, or
- significant - potentially present a significant risk to the agency if not addressed promptly.



### 3. Management Letter Issues ... continued

Other than information systems control weaknesses reported below, the other areas of control weakness were:



**Figure 1: All management issues, other than IS controls, reported to agencies in final audits**

Source: OAG

- 46 agencies (25 per cent) had issues relating to assets, including maintaining an up to date asset register, conduct of asset stocktakes and reconciling assets held to the reported value in the financial statements. Some agencies also had not valued their non-current physical assets appropriately.

In 2005-06 Treasurer's Instruction 954 required land and buildings to be measured and reported on a fair value basis. In future, revaluation of assets will need to be done with sufficient regularity to ensure that asset carrying values do not differ materially from their fair value at reporting date.

- 30 agencies (16 per cent) had revenue control weaknesses, especially recognition and recording of revenue and procedures relating to debtors and provision for doubtful debts.
- 29 agencies (15 per cent) had expenditure control weaknesses. Payment approvals, credit card payments and documentation of policies and procedures for expenditure were key areas of control weakness.
- 29 agencies (15 per cent) had issues relating to liabilities with the majority being the recognition of leave liability. Payroll weaknesses also included issues relating to annual and long service leave.

Action taken to address identified control weaknesses and implement and document revised procedures are followed up with agency management each year. Our subsequent audits always review previous management letter issues reported to agencies. Where issues recur in following years, these are separately identified to agency management and the Minister and are reconsidered when forming the audit opinion.



## Limited Action Taken on Previously Reported Management Letter Issues

Concern remains that previously reported shortcomings have not adequately improved or progressed:

- need for better operational controls over information systems
- use of key performance indicators as a regular monitoring tool
- timely tabling of Statements of Corporate Intent for corporatised bodies.

### Information Systems (IS) Controls

Although agencies have established minimum levels of control within their IS environments, improvements continue to be needed particularly in the areas of security and business continuity planning.

Information systems are important to most aspects of agency operations including the reliable reporting of financial and performance information. The aim of our IS audits is to determine whether the design, implementation and operating effectiveness of the general computer controls that support the information systems provide assurance about the reliable processing of financial and performance information.

We classify general computer controls into 10 generic categories. Each year we audit the design and implementation of controls in all 10 categories. We also audit the operating effectiveness of the different control categories on a rotation basis, with three categories examined in the 2005-06 audit cycle:

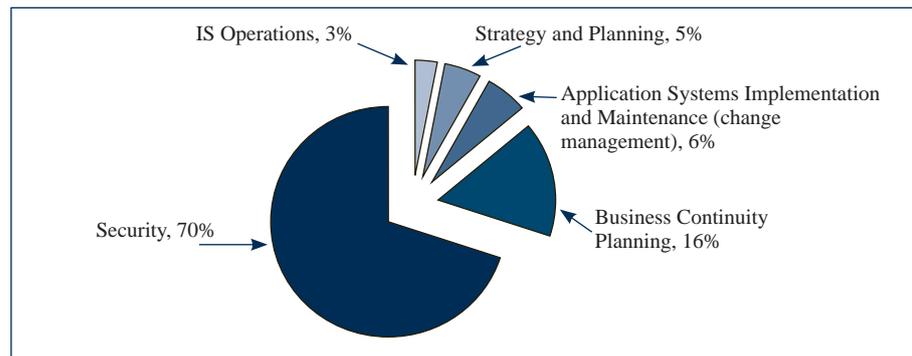
- information systems operations
- change management
- information security.

We audited 40 agencies that have large and complex computer systems and identified 256 control weaknesses at 28 agencies. Seven per cent of the issues were considered significant weaknesses and 51 per cent were rated as moderate – an improvement on 2004-05 when 17 per cent were rated as significant and 57 per cent as moderate.

As in previous years, over 92 per cent of the findings were in the areas of security, business continuity planning and change management (refer Figure 2). The ongoing nature of these findings is a concern. However, we are expecting that the move to shared service arrangements from late 2006 will provide the opportunity to improve this situation.



### 3. Management Letter Issues ... continued



**Figure 2: General Computer Control Findings in Key Information Systems**

Source: OAG

#### Information Resource Strategy and Planning

Many government agencies manage multiple large scale information and communication technology (ICT) projects. Large scale ICT projects are inherently risky and very often take considerably more time and money to complete than expected. It is therefore essential that agencies have in place arrangements that include active leadership and management of projects.

In this context we were concerned to find two agencies with multiple large scale ICT projects that were unable to demonstrate adequate cost control of these projects. In particular, we were unable to obtain reports that showed budgeted cost, cost incurred, estimated completion cost or progress information for their ICT projects.

#### Information Security

Information security is essential to ensuring data integrity of key financial systems. Security issues accounted for 70 per cent of findings, pointing to a widespread opportunity for improvement across government.

Inadequate access controls, 40 per cent of findings, were the main form of security weakness. Access controls ensure that persons can only access or use information resources for which they are authorised. Twenty-seven per cent of the security findings related to inadequately documented security policies and procedures. These are essential to the effective management of computer systems security.

Password controls (13 per cent), physical security (11 per cent) and network security (nine per cent) comprised the remaining key information security deficiencies/control weaknesses.



## **Business Continuity Planning**

Business Continuity Planning (BCP) is the planning, establishment and testing of systems and procedures to enable critical business operations to continue despite damage to, or failure of operational facilities that support essential business activities. Elements of BCP include a documentation of business continuity plans, disaster recovery plans, incident response plans and back-up regimes.

Sixteen per cent of our findings related to BCP and in particular, disaster recovery planning and incident response. Surprisingly, 15 per cent of these findings related to the fundamental requirement for data back-ups including testing and restoring of key information by agencies.

## **Key Performance Indicators (KPIs)**

During 2005-06, 70 per cent of agencies used key performance indicators as a regular monitoring tool.

KPIs enable agency performance to be measured, monitored, evaluated, reported and improved. They play a key role in managing performance at all levels in an agency, both strategic and operational. KPIs comprise effectiveness indicators, including cost effectiveness, and efficiency indicators.

Last year we reported that 38 per cent of the 123 departments and statutory authorities producing KPIs were not reporting them to the Board or management on a regular monthly or quarterly basis. Our current review of 129 agencies at 30 June 2006 has seen this figure of 38 per cent decrease to 30 per cent.

During 2005-06 DTF's Outcome Structure Review Group (OSRG) continued to review and approve changes to agencies' outcomes, services and KPIs. Thirty agencies were reviewed by the OSRG, some identified from our investigation last year. This adds to the 29 agencies previously reviewed in 2004-05. These reviews refocus agency attention on identifying meaningful and achievable outcomes and services.

## **Statements of Corporate Intent**

Only one of 17 agencies has complied with the legislative requirement to have their Statement of Corporate Intent (SCI) tabled in Parliament prior to commencement of each financial year. The SCI for the Western Australian Treasury Corporation has been consistently been tabled in Parliament before 1 July each year. This is highlighted in Table 4.



### 3. Management Letter Issues ... continued

The SCI is prepared by agencies that operate at arm's length from government. It is a contractual agreement between each corporation or entity and the Government detailing future direction and projects, financial planning and performance review each year. Until the tabling of the agreed SCI, the draft SCI provided to the Minister is the contractual agreement between the entity and the Government. However, the SCI is not on the public record until agreed and tabled in Parliament.

The majority of corporations and entities provide their draft SCIs to their Minister within the legislative timeframes. Some agencies submit their draft SCIs as early as November in the previous year as part of the budgetary process. However, ministerial review and changes, followed by seeking the Treasurer's concurrence, has resulted in tabling dates after 1 July each year. This non-compliance over the last six years has been reported in previous Ministerial Portfolio Reports (Report 10, December 2000 through to Report 12, November 2005).

Table 4 details the dates SCIs were tabled in Parliament. It is noted that a mid August tabling date is generally the first day of Parliament after its traditional six week recess starting in late June.

Name of Entity	Statements of Corporate Intent		
	2004-05	2005-06	2006-07
<b>PORT AUTHORITIES</b>			
Albany Port Authority	20 October 2004	17 August 2005	Not Tabled
Broome Port Authority	25 May 2005	17 November 2005	Not Tabled
Bunbury Port Authority	19 October 2004	16 August 2005	Not Tabled
Dampier Port Authority	11 November 2004	14 September 2005	Not Tabled
Esperance Port Authority	19 October 2004	17 August 2005	Not Tabled
Fremantle Port Authority	19 October 2004	16 August 2005	Not Tabled
Geraldton Port Authority	20 October 2004	16 August 2005	Not Tabled
Port Hedland Port Authority	20 October 2004	14 September 2005	Not Tabled
<b>CORPORATISED ENTITIES</b>			
Horizon Power	Not Applicable	Not Applicable	Deemed 14 July 2006
Synergy	Not Applicable	Not Applicable	Deemed 14 July 2006
Verve Energy	Not Applicable	Not Applicable	Deemed 14 July 2006
Water Corporation	7 March 2006	1 December 2005	17 October 2006
Western Australian Land Authority	5 April 2005	9 November 2005	28 September 2006
Western Power	Not Applicable	Not Applicable	Deemed 14 July 2006
Western Power Corporation	30 March 2005	13 October 2005	Not Applicable
<b>STATUTORY AUTHORITIES</b>			
Forest Products Commission	22 September 2004	7 March 2006	Not Tabled
Racing and Wagering Western Australia	19 October 2004	16 August 2005	15 August 2006
Western Australian Treasury Corporation	15 June 2004	5 May 2005	22 June 2006
	Complies with Act	Complies with Act	Complies with Act

**Table 4: Statements of Corporate Intent – date tabled in Parliament (current to 17 October 2006)**

*Note: Dates not highlighted show that SCIs were not tabled prior to commencement of the financial year to which they relate.*

Source: Parliamentary Tabled Papers





## 4: Future Audit Priorities

- *Our assurance service audits from 2006-07 to 2008-09 will focus on agencies' compliance with requirements of:*
  - *corporate governance – audit committee, risk management and internal audit*
  - *operational activities - financial management, information systems controls and shared service arrangements*
  - *financial reporting and contaminated sites' disclosures.*

Advanced notice of our audit focus for the coming three years has been provided to all agencies. The objective is to improve corporate governance throughout the public sector by focusing on key priorities.

### Corporate Governance

Within the public sector, corporate governance defines the roles and responsibilities of the accountable officer or accountable authority and key officers in the agency and sets out the decision-making process. It also includes performance measures to assess the level of achievement of outcomes. Accountability for stewardship and efficient use of resources provided or assigned by government is also defined within the corporate governance structure.

Budget dependent agency outcomes, performance reviews and resourcing are accountable annually through the budget and annual reporting processes. Other agencies have various legislated or regulatory devices, such as Statements of Corporate Intent, that provide for an overview of their activities.

Two key corporate governance areas are normally reviewed by the audit committee, namely risk management and internal audit.

### Audit Committee

An effective audit committee will strengthen the effectiveness of the agency's corporate governance structures and processes. Increasing emphasis is being placed on accountable officers or accountable authorities to form and participate on active audit committees. These committees need to review the internal governance arrangements of the agency. Having some external members on the committee is one common mechanism used to improve its effectiveness.



#### 4: Future Audit Priorities ... continued

### Risk Management

Agencies are required to have a risk management focus to ensure the continuity of their operations. Most agencies initially developed a risk management plan to comply with Treasurer's Instruction 825 'Risk Management and Security'. However, any plan, including a risk management plan, needs to be regularly reviewed and updated for changing circumstances. The plan should show how the agency has prepared to protect itself, government and the general community from risk events.

### Internal Audit

Treasurer's Instruction 1202 'Conduct of Audits and Consultancy' requires internal audit services within agencies to be conducted in accordance with the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing*. From 1 January 2002, the IIA Standards include the requirement to develop and maintain a quality assurance and improvement program. The program is to cover all aspects of internal audit activities and continuous monitoring of effectiveness.

As part of our 2006-07 audit review of internal audit activities in each agency, evidence will be sought that:

- an external quality assessment has been completed
- an ongoing internal quality assurance program is in place
- current internal audit practices' align with the needs of the agency.

### Agency Operations

Agencies will face additional challenges during 2006-07 from likely legislative changes to financial administration. The current Financial Management Bill 2006, once enacted, impacts agency accountability and requires revised Treasurer's Instructions and DTF directives covering transition and compliance with the new financial management requirements.

Our review of agency operations in 2006-07 will place additional focus on financial management, information systems and shared services. Additional audit resources have been allocated to conduct specialised compliance and information systems audits. Our findings from these activities will assist in forming the audit opinion on controls, financial statements and performance indicators of agencies.



## Financial Management

In 2006-07 we are planning to audit more agencies using hard close/roll forward year end procedures. For this to be achieved, these agencies will need to produce closing financial statements, performance indicators and working papers for an earlier balance date. The results are then rolled forward and audited prior to the opinion being issued.

This audit approach provides the Chief Finance Officer (CFO) and agency management with earlier notice of any financial reporting and management issues that will be reviewed as part of the final stage of the audit. The agency can then address these audit findings and take action to resolve any issues before the final year end financial statements and performance indicators are prepared and certified.

## Information Systems Controls

Ongoing IS issues and control weaknesses will be more closely evaluated when forming audit opinions in 2006-07. As mentioned in Part 3 of this Report, the importance and complexity of information systems in government is ever increasing and the ongoing nature of IS control weaknesses is a concern.

Our priorities for 2006-07 include additional audit resources being assigned to IS audits. The focus on agency information systems will include whether:

- information systems environment is secure to ensure the integrity of the agency's operational information and its ongoing operations
- operational data is accurately maintained and continuously available for authorised staff access and updating
- where practicable, the information systems collect and report performance data against which the agency's outcomes can be evaluated
- staff are inducted and trained to appropriately use the information systems and any upgrades
- strategic plan includes future demand and resources for information systems updating and upgrading.

A management letter will advise an agency of any control issues identified. Any unresolved matters at year end will be considered when forming our opinion on controls.



#### 4: Future Audit Priorities ... continued

### Shared Services

Currently three shared service centres operate within government. These are provided by the Education and Training Shared Services Centre, Health Corporate Network and Office of Shared Services.

Creation of shared service centres will provide uniform policies and business practices across groups of similar agencies. It is expected that accurate, integrated and timely information will improve decision-making and ensure efficient delivery of essential central services.

Substantial audit effort will be required to re-establish appropriate levels of assurance regarding the new systems and accountability relationships. A comprehensive evaluation of controls in the shared service centres and individual agencies will be undertaken. Each agency's operational procedures and practices for accessing and reporting through these shared service centres will be audited and reported to agency management.

### Financial Reporting

In cooperation with DTF, a working group is being formed to assist agencies to further improve their financial reporting. While agencies managed to provide earlier financial statements than in previous years, in many cases quality assurance processes were not completed within the agency. This resulted in many financial statements and support schedules not being presented for audit at an acceptable standard.

Legislative amendments or revision of Treasurer's Instructions flowing from the Financial Management Bill 2006 currently before Parliament will also impact agency financial reporting in 2006-07. DTF and our staff will continue to support agencies' staff through forums and communications to ensure that any requirements can be met in a timely manner.

Qualification requirements for CFOs now prescribed in the FAAA and additional resources being invested by DTF are expected to assist agencies to deliver more timely and improved financial statements in future.

In addition, opportunities have been identified for a more consistent approach across agencies in respect of:

- accounting policies
- correction of issues raised by Audit



- materiality
- frequency of property valuations
- use of reserves.

Our attention will also focus on reconciliation working papers and closing journal entries where they are used to clear previously unreconciled or unexplained items. In addition, closing entries between each agency and their shared service centre will be reviewed to ensure that end of year transactions are appropriately recorded by both the agency and the shared service provider.

### **Financial Liability for Contaminated Sites**

From 1 December 2006, all agencies with land use responsibilities will be bound by the requirements of the new Contaminated Sites Act 2003 (the Act). This will result in the need to report all land owned, vested or leased that is contaminated or suspected of being contaminated to the Department of Environment and Conservation (DEC).

The classification process undertaken by DEC will determine the status of the land reported. This process will also determine whether a liability, contingent liability or no liability is to be recorded in the agency's financial statements.

The State of Western Australia, as a major landowner, potentially faces significant financial costs from land contamination. The State is also at risk from having to assume future responsibility for the presently unknown number of contaminated sites where the polluter cannot be identified or where the owner cannot be held responsible or cannot be made to pay.

We will be reviewing agencies' compliance with the Act to ensure that any costs and/or contingent liabilities are reported in their financial statements. This information will assist the State in reporting the extent of contamination and the associated financial liability.



## 5: Audit Practice

- *Requirement to issue earlier audit opinions necessitated the revision of our audit strategy, structure and auditing practices during 2005-06.*
- *Legislation currently before Parliament and changes in auditing standards will require a revised Statement of Audit Practice to be issued in 2006-07.*

### Audit Strategy

During 2005-06 the Office of the Auditor General reviewed its audit strategy, structure and operational practices. This was necessary to meet the challenge of issuing earlier audit opinions. Four strategies have been implemented or are being developed to achieve this objective more efficiently in future.

#### **Interim and final audit work**

Audit field work commenced earlier than in previous years to enable interim audits at our major clients to be finalised and management letters issued earlier. Hard close/roll forward year end audit procedures were used at more agencies this year. Following from this positive experience, preparations are being made for this audit approach to be used for more agencies in 2006-07.

#### **Use of IS tools and application reviews**

Additional IS tools and staff have been allocated to conduct computer application reviews in agencies throughout 2006-07. Greater use will be made of data extraction and exception reporting taken from computerised systems. Agency management will be informed of any IS findings or control issues immediately and will be able to act to resolve these during the year. As a result, year end audits should be more streamlined and findings or issues should have been addressed and resolved prior to year end.

#### **Control assessment and continuous audit of shared service arrangements**

The move of agencies into shared service arrangements in the coming year will result in changes to our controls assessments conducted for agencies. A comprehensive controls audit of the bureau type services provided by three shared service centres will be conducted on a regular and continuous basis. In addition, each agency's operational procedures and practices for interacting with their shared service provider will be reviewed as separate control environments. Reports to the respective managements will be prepared to detail any areas of concern.



### **Use of Contractors**

Additional audit services were contracted during 2005-06 to meet the earlier reporting timeframes. It is expected that audit planning and development of staff using our revised audit approach will see this position revised during 2006-07. As we adopt the hard close/roll forward year end audit procedures for more agencies, the workload spread for completion of the audits will continue to be adjusted. The strategy regarding the balance of internal and contracted audits will be revisited during 2006-07.

## **Operational Issues**

The Financial Management Bill 2006 and the Auditor General Bill 2006 currently before Parliament are expected to replace the current FAAA. In addition, auditing and accounting standards currently under review will result in further operational changes for our office from 2006-07. A full review of our Audit Practice Statement is also being undertaken.

### **Financial Management Bill 2006**

The Financial Management Bill 2006 impacts more on central government than agencies and details financial administration and annual reporting requirements. The role of Chief Finance Officers is broadened and some of the previous detail of the FAAA is moved into the Financial Administration Regulations and Treasurer's Instructions. The earlier reporting requirements of the FAAA continue and special purpose accounts are required to be accounted for separately.

### **Auditor General Bill 2006**

The Auditor General Bill 2006 aims to enhance the Auditor General's status as an independent officer of the Parliament. The Bill provides for the appointment and functions of the Auditor General and resourcing of the office to support the independent external audit of public sector agencies.

### **Auditing and Accounting Standards**

Since July 2005 the Australian Accounting Standards Board has issued two new and seven amending accounting standards, seven Urgent Issues Group interpretations and 13 exposure drafts and invitations to comment. These will mostly be operative for the reporting year 2006-07. The majority of these amendments are considered to have limited impact in the public sector.



## 5: Audit Practice ... continued

DTF and our office will continue to review these and future accounting and auditing pronouncements. Where they are applicable to the public sector action will be taken to ensure that agencies are informed. This will be through Treasury Circulars, amendments to the Treasurer's Instructions and information seminars for finance personnel.

### **Staff Professional Development**

Additional resources are being invested in professional and technical development of audit staff to address the attrition through the ageing of the office workforce and increased demand for accountants from across the public and private sector. This includes an enhanced programme of in-house development for assurance services staff.

### **Statement of Auditing Practice**

Our latest Audit Practice Statement appears on our website at [www.audit.wa.gov.au](http://www.audit.wa.gov.au). It was also published in the Report on Ministerial Portfolios at November 25, 2003 (Report 10, December 2003). The Audit Practice Statement summarises why we audit, what we audit and how we audit. This Statement is currently being updated to reflect changes in our audit practices necessitated to meet the earlier annual reporting timeframes. It will also include amendments required once the above Bills have become legislation and been proclaimed.





## Appendix 1: Summary of Audit Opinions Issued

Audit opinions issued for 176 audits completed between 31 March 2006 and 16 October 2006, primarily for agencies with 30 June and 31 July 2006 end of financial year, are summarised in the following table. For the majority, departments and statutory authorities, the opinion relates to controls, financial statements and performance indicators. The audit opinion is issued to the responsible Minister for each government agency and is printed in full in the agency's annual report. The annual report is tabled in Parliament by the Minister and also posted on the agency's website.

Results of annual audits of government agencies and other entities are tabulated in two categories:

### **The Legislature**

This category includes the results of the audits of the three parliamentary departments.

### **Ministerial Portfolios**

The Government of the day assigns responsibility for the administration of government agencies to individual Ministers and the results of audits conducted under the FAAA and agencies' enabling legislation are reported on this basis.

The results of other audits involving financial statements only are also reported under this category with:

- Annual Report on State Finances under the *Government Financial Responsibility Act 2000* reported to the Treasurer
- subsidiary bodies, conducted under the *Corporations Act 2001*, reported with the related agency
- request audits under section 78 of the FAAA reported to the Treasurer.



**Appendix 1:  
Summary of Audit Opinions Issued ... continued**

**Key to Table of Audit Opinions**

The table lists each agency audited and whether the opinion was qualified or unqualified for controls and financial statements, and performance indicators and the date the opinion was issued.

Agencies' names are listed alphabetically without 'The' in their statutory names.

✓	unqualified opinion. Details of qualifications shown in Table 2, page 14.
*	opinion relates to financial statements only, no opinion given on controls
N/A	opinion is not applicable as performance indicators are not required to be submitted

Unless otherwise noted, audit opinions relate to the reporting period 1 July 2005 to 30 June 2006. Performance indicators are only required for departments and statutory authorities reporting under the FAAA.





## THE LEGISLATURE

### Parliamentary Departments

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Administration of the Legislative Assembly	✓	Not Submitted	08/09/2006
Administration of the Legislative Council	✓	✓	08/09/2006
Parliamentary Services Department	✓	Not Submitted	08/09/2006

## MINISTERIAL PORTFOLIOS

### Premier; Minister for Public Sector Management; State Development; Federal Affairs

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Department of the Premier and Cabinet	✓	✓	25/09/2006
Governor's Establishment	✓	✓	27/09/2006
Department of Industry and Resources	✓	✓	26/09/2006
Office of Shared Services	✓	Not Submitted	25/09/2006
Office of the Public Sector Standards Commissioner	✓	✓	25/09/2006
Parliamentary Commissioner for Administrative Investigations	✓	✓	26/09/2006

### Deputy Premier; Treasurer; Minister for Government Enterprises; Minister Assisting the Minister for Public Sector Management

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Annual Report on State Finances	✓ *	N/A	25/09/2006
Department of Treasury and Finance	✓	✓	20/09/2006
Economic Regulation Authority	✓	✓	22/09/2006
Gold Corporation	✓	✓	19/09/2006
Government Employees Superannuation Board	✓	✓	26/09/2006
Insurance Commission of Western Australia	✓	✓	12/09/2006
Lotteries Commission	✓	✓	22/09/2006
State Government Insurance Corporation	✓	✓	12/09/2006
State Supply Commission	✓	✓	25/09/2006
Western Australian Treasury Corporation	✓	✓	11/09/2006

✓	unqualified opinion. Details of qualifications shown in Table 2, page 14.
*	opinion relates to financial statements only, no opinion given on controls
N/A	opinion is not applicable as performance indicators are not required to be submitted



**Appendix 1:  
Summary of Audit Opinions Issued ... continued**

**Deputy Premier; Treasurer; Minister for Government Enterprises; Minister Assisting the Minister for Public Sector Management ... cont**

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
<b>Request Audits</b>			
Aberdeen Unit Trust	✓ *	N/A	22/09/2006
Director of Legal Aid and Others in Trust	✓ *	N/A	10/08/2006
Ngala Inc	✓ *	N/A	27/09/2006
SB Investment Trust	✓ *	N/A	25/09/2006
Tertiary Institutions Service Centre (Inc)	✓ *	N/A	22/09/2006

**Minister for Agriculture and Food; Forestry; the Mid West and Wheatbelt**

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Agricultural Practices Board of Western Australia	✓	Not Submitted	04/09/2006
Agriculture Produce Commission	✓	✓	01/09/2006
Agriculture Protection Board of Western Australia	✓	✓	20/09/2006
Department of Agriculture and Food	✓	✓	21/09/2006
Forest Products Commission	✓	✓	27/09/2006
Landcare Trust (Final Audit)	✓	Not Required	31/08/2006
Mid West Development Commission	✓	✓	08/09/2006
Perth Market Authority	✓	✓	28/09/2006
Potato Marketing Corporation of Western Australia	✓	✓	25/09/2006
Rural Business Development Corporation	✓	✓	12/09/2006
Western Australian Meat Industry Authority	✓	✓	27/09/2006
Wheatbelt Development Commission	✓	✓	08/09/2006



### Minister for Education and Training

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Building and Construction Industry Training Board	✓	✓	21/09/2006
Country High School Hostels Authority	✓	✓	25/09/2006
Curriculum Council	✓	✓	21/09/2006
Department of Education and Training			Audit in Progress
Department of Education Services	✓	✓	21/09/2006
Trustees of the Public Education Endowment	✓	✓	25/09/2006
Numbers Investment Pty Ltd (subsidiary of Curtin University of Technology)	✓ *	N/A	27/07/2006
Universities' subsidiaries (01/01/2005-31/12/2005)			
ECU Resources for Learning (ECU)	✓ *	N/A	22/06/2006
Integral Leadership Centre Ltd (UWA)	✓ *	N/A	24/04/2006
Murdoch Investments Company Pty Ltd	✓ *	N/A	03/04/2006
Murdoch University Foundation	✓ *	N/A	23/05/2006
Murdoch University Veterinary Trust	✓ *	N/A	23/05/2006
Uniservices Kalgoorlie Pty Ltd (Murdoch)	✓ *	N/A	26/05/2006
University Club of Western Australia Pty Ltd (UWA)	✓ *	N/A	21/04/2006

### Minister for Police and Emergency Services; Community Safety; Water Resources; Sport and Recreation

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Bunbury Water Board	✓	✓	26/09/2006
Busselton Water Board	✓	✓	27/09/2006
Department of Sport and Recreation	✓	✓	26/09/2006
Department of Water (26/10/2005 -30/06/2006)	✓	Not Submitted	05/09/2006
Fire and Emergency Services Authority of Western Australia	✓	✓	21/09/2006
Fire and Emergency Services Superannuation Board	✓	✓	28/09/2006
Police Service	✓	✓	04/09/2006
Professional Combat Sports Commission	✓	✓	26/09/2006
Water and Rivers Commission	✓	✓	27/09/2006
Water Corporation	✓ *	N/A	04/09/2006
Western Australian Institute of Sport	✓	✓	25/09/2006
Western Australian Sports Centre Trust	✓	✓	25/09/2006

✓	unqualified opinion. Details of qualifications shown in Table 2, page 14.
*	opinion relates to financial statements only, no opinion given on controls
N/A	opinion is not applicable as performance indicators are not required to be submitted



**Appendix 1:  
Summary of Audit Opinions Issued ... continued**

**Attorney General; Minister for Health; Electoral Affairs**

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Animal Resources Authority	✓	✓	27/09/2006
Commissioner for Equal Opportunity	✓	✓	11/09/2006
Corruption and Crime Commission	✓	✓	12/09/2006
Department of Attorney General	✓	✓	21/09/2006
Department of Health	✓	✓	22/09/2006
Law Reform Commission of Western Australia	✓	✓	15/09/2006
Legal Aid Commission of Western Australia	✓	✓	10/08/2006
Legal Contribution Trust (01/01/2006-30/06/2006)	✓	✓	27/09/2006
Legal Costs Committee	✓	✓	29/08/2006
Local Health Authorities Analytical Committee	<i>Financial statements and performance indicators not submitted</i>		
Minister for Health in his capacity as the Deemed Board of Metropolitan Public Hospitals	Qualification	✓	27/09/2006
Office of Health Review	✓	✓	25/09/2006
Office of the Director of Public Prosecutions	✓	✓	15/09/2006
Office of the Information Commissioner	✓	✓	29/08/2006
Parliamentary Inspector of the Corruption and Crime Commission	✓	Not Submitted	07/09/2006
Peel Health Services	✓	✓	27/09/2006
Professional Standards Council (01/01/2003-30/06/2004) (01/07/2004-30/06/2005) & (01/07/2005-30/06/2006)	<i>Financial statements and performance indicators not submitted</i>		
Public Trustee	✓	✓	26/09/2006
Quadriplegic Centre Board	✓	✓	25/09/2006
Queen Elizabeth II Medical Centre Trust	✓	✓	25/09/2006
South West Health Board	✓	✓	27/09/2006
WA Country Health Service	✓	✓	29/09/2006
Western Australian Alcohol and Drug Authority	✓	✓	25/09/2006
Western Australian Electoral Commission	✓	✓	19/09/2006
Western Australian Health Promotion Foundation	✓	✓	12/09/2006

✓	unqualified opinion. Details of qualifications shown in Table 2, page 14.
*	opinion relates to financial statements only, no opinion given on controls
N/A	opinion is not applicable as performance indicators are not required to be submitted



## Minister for Housing and Works; Consumer Protection; Heritage; Land Information

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Country Housing Authority	✓	✓	11/09/2006
Department of Consumer and Employment Protection (shared responsibility with Minister for Employment Protection)	✓	✓	14/09/2006
Department of Housing and Works	✓	✓	18/09/2006
Department of Land Information	✓	✓	12/09/2006
Government Employees' Housing Authority (Final Audit)	✓	✓	11/09/2006
Heritage Council of Western Australia	✓	✓	11/09/2006
National Trust of Australia (WA.)	✓	✓	22/09/2006
Real Estate and Business Agents Supervisory Board	✓	✓	31/08/2006
Settlement Agents Supervisory Board	✓	✓	31/08/2006
State Housing Commission	✓	✓	22/09/2006
Subsidiaries: Homeswest Loan Scheme Trust	✓ *	N/A	04/09/2006
Keystart Bonds Limited	✓ *	N/A	04/09/2006
Keystart Housing Scheme Trust	✓ *	N/A	04/09/2006
Keystart Loans Limited	✓ *	N/A	04/09/2006
Keystart Support (Subsidiary) Pty Ltd	✓ *	N/A	04/09/2006
Keystart Support Pty Ltd	✓ *	N/A	04/09/2006
Keystart Support Trust	✓ *	N/A	04/09/2006
Western Australian Building Management Authority	✓	✓	18/09/2006

## Minister for Planning and Infrastructure

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Albany Port Authority	✓ *	N/A	25/09/2006
Armadale Redevelopment Authority	✓	✓	18/09/2006
Broome Port Authority	✓ *	N/A	27/09/2006
Bunbury Port Authority	✓ *	N/A	31/08/2006
Commissioner of Main Roads	✓	✓	22/09/2006
Subsidiary: Tarolinta Pty Ltd	✓ *	N/A	22/09/2006
Dampier Port Authority	✓ *	N/A	11/09/2006
Department for Planning and Infrastructure	✓	✓	22/09/2006
East Perth Redevelopment Authority	✓	✓	21/09/2006
Eastern Goldfields Transport Board	Qualification	Qualification	26/09/2006
Esperance Port Authority	✓ *	N/A	25/09/2006
Fremantle Port Authority	✓ *	N/A	31/08/2006
Geraldton Port Authority	✓ *	N/A	25/09/2006
Midland Redevelopment Authority	✓	✓	21/09/2006
Port Hedland Port Authority	✓ *	N/A	22/09/2006
Public Transport Authority of Western Australia	✓	✓	31/08/2006
Subiaco Redevelopment Authority	✓	✓	19/09/2006
Western Australian Coastal Shipping Commission	✓	✓	16/08/2006
Western Australian Land Authority	✓ *	N/A	06/09/2006
Western Australian Planning Commission	✓	✓	22/09/2006



**Appendix 1:  
Summary of Audit Opinions Issued ... continued**

**Minister for Indigenous Affairs; Tourism; Culture and the Arts**

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Aboriginal Affairs Planning Authority	✓	Not Submitted	12/09/2006
Board of the Art Gallery of Western Australia	✓	✓	18/09/2006
Department of Culture and the Arts	✓	✓	18/09/2006
Department of Indigenous Affairs	✓	✓	12/09/2006
Library Board of Western Australia	✓	✓	18/09/2006
Perth Theatre Trust	✓	✓	11/09/2006
Rottnest Island Authority	Qualification	✓	25/09/2006
Screen West (Inc)	✓	✓	11/09/2006
Swan Bells Foundation Incorporated	✓ *	✓	18/09/2006
Western Australian Museum	✓	✓	18/09/2006
Western Australian Tourism Commission	✓	✓	25/09/2006

**Minister for the Environment; Racing and Gaming**

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Botanic Gardens and Parks Authority	✓	✓	12/09/2006
Burswood Park Board	✓	✓	20/09/2006
Department of Conservation and Land Management	✓	✓	25/09/2006
Department of Environment	✓	✓	26/09/2006
Department of Racing, Gaming and Liquor	✓	✓	31/08/2006
Gaming and Wagering Commission of Western Australia	✓	✓	25/09/2006
Keep Australia Beautiful Council (WA)	✓	✓	25/09/2006
Racing and Wagering Western Australia (01/08/2005-31/07/2006)	✓	✓	12/10/2006
Racing Penalties Appeal Tribunal of Western Australia (01/08/2005-31/07/2006)	✓	✓	28/09/2006
Swan River Trust	✓	✓	25/09/2006
Western Australian Greyhound Racing Association (01/08/2005-31/07/2006)	✓	✓	16/10/2006
Zoological Parks Authority	✓	✓	27/09/2006



### Minister for Energy; Science and Innovation

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Electricity Generation Corporation – Verve Energy (01/04/2006-30/06/2006)	✓ *	N/A	26/09/2006
Subsidiary: Wind Energy Corporation Pty Ltd	✓ *	N/A	29/09/2006
Electricity Networks Corporation – Western Power (01/04/2006-30/06/2006)	✓ *	N/A	22/09/2006
Electricity Retail Corporation – Synergy (01/04/2006-30/06/2006)	✓ *	N/A	27/09/2006
Independent Market Operator	✓ *	N/A	19/09/2006
Minerals and Energy Research Institute of Western Australia	✓	✓	22/09/2006
Office of Energy	✓	✓	22/09/2006
Perth International Centre for Application of Solar Energy	✓	Not Submitted	12/09/2006
Regional Power Corporation – Horizon Power (01/04/2006-30/06/2006)	✓ *	N/A	27/09/2006
Western Australian Gas Disputes Arbitrator	✓	✓	22/09/2006
Western Power Corporation (Final Audit 01/07/2005-31/03/2006)	✓ *	N/A	21/06/2006
(Final Audit 01/07/2005-30/06/2006)	✓ *	N/A	13/10/2006

### Minister for Resources and Assisting the Minister for State Development; Employment Protection; Goldfields-Esperance and Great Southern

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Coal Industry Superannuation Board	✓	✓	28/09/2006
Coal Miners' Welfare Board of Western Australia	✓	✓	27/09/2006
Construction Industry Long Service Leave Payments Board	✓	✓	27/09/2006
Department of the Registrar, Western Australian Industrial Relations Commission	✓	✓	09/08/2006
Goldfields-Esperance Development Commission	✓	✓	25/09/2006
Great Southern Development Commission	✓	✓	06/09/2006
WorkCover Western Australia Authority	✓	✓	31/08/2006
<i>Department of Consumer and Employment Protection reported under Minister for Consumer Protection – shared responsibility</i>			

✓	unqualified opinion. Details of qualifications shown in Table 2, page 14.
*	opinion relates to financial statements only, no opinion given on controls
N/A	opinion is not applicable as performance indicators are not required to be submitted

**Appendix 1:  
Summary of Audit Opinions Issued ... continued****Minister for Local Government and Regional Development; Fisheries; the  
Kimberley, Pilbara and Gascoyne**

<b>Audit Opinions</b>	<b>Financial Statements and Controls</b>	<b>Performance Indicators</b>	<b>Date Opinion Issued</b>
Department of Fisheries	✓	✓	15/09/2006
Department of Local Government and Regional Development	✓	✓	20/09/2006
Gascoyne Development Commission	✓	✓	11/09/2006
Kimberley Development Commission	✓	✓	08/09/2006
Metropolitan Cemeteries Board	✓	✓	23/08/2006
Pilbara Development Commission	✓	✓	11/09/2006
<b><i>Cemeteries Act Audits</i></b> <i>Cemetery Boards audited under the Cemeteries Act do not have a statutory date for submitting financial statements Their audits will be reported in the 31 December 2006 audit cycle.</i>			

**Minister for Corrective Services; Women's Interests; Minister Assisting the  
Minister for Federal Affairs**

<b>Audit Opinions</b>	<b>Financial Statements and Controls</b>	<b>Performance Indicators</b>	<b>Date Opinion Issued</b>
Department of Corrective Services	✓	✓	21/09/2006
Office of the Inspector of Custodial Services	✓	✓	15/09/2006



**Minister for Small Business, Peel and the South West; Minister Assisting the Minister for Education and Training**

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Peel Development Commission	✓	✓	21/09/2006
Small Business Development Corporation	✓	✓	20/09/2006
South West Development Commission	✓	✓	25/09/2006

**Minister for Community Development; Seniors; Volunteering; Youth**

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Department for Community Development	✓	✓	26/09/2006

**Minister for Disability Services; Citizenship and Multicultural Interests; Minister Assisting the Minister for Planning and Infrastructure**

Audit Opinions	Financial Statements and Controls	Performance Indicators	Date Opinion Issued
Disability Services Commission	✓	✓	01/09/2006

✓	unqualified opinion. Details of qualifications shown in Table 2, page 14.
*	opinion relates to financial statements only, no opinion given on controls
N/A	opinion is not applicable as performance indicators are not required to be submitted



## Appendix 2: Agency Annual Reports Not Tabled

The amended FAAA requires annual reports of agencies to be tabled in Parliament by the responsible Ministers within 90 days of the agency's end of financial year. The following agencies did not comply with this legislative requirement for their 2005 or 2005-06 annual reports.

Agencies with 31 December 2005 reporting date whose annual report was not tabled within 90 days. Tabling date noted.	Agencies with 30 June 2006 reporting dates audited under the FAAA whose annual reports were not tabled within 90 days.
<p>Central TAFE 13 April 2006</p> <p>Central West TAFE 13 April 2006</p> <p>Challenger TAFE 13 April 2006</p> <p>Curtin University of Technology 12 April 2006</p> <p>C Y O'Connor College of TAFE 13 April 2006</p> <p>Edith Cowan University 12 April 2006</p> <p>Great Southern TAFE 13 April 2006</p> <p>Kimberley TAFE 13 April 2006</p> <p>Legal Contribution Trust 5 April 2006</p> <p>Murdoch University 12 April 2006</p> <p>Pilbara TAFE 13 April 2006</p> <p>South West Regional College of TAFE 13 April 2006</p> <p>Swan TAFE 13 April 2006</p> <p>University of Western Australia 12 April 2006</p> <p>West Coast TAFE 13 April 2006</p>	<p>Aboriginal Affairs Planning Authority</p> <p>Building and Construction Industry Training Board</p> <p>Coal Industry Superannuation Board *</p> <p>Coal Miners' Welfare Board of Western Australia *</p> <p>Curriculum Council</p> <p>Department of Education and Training</p> <p>Department of Education Services</p> <p>Department of Water</p> <p>Fire and Emergency Services Superannuation Board</p> <p>Landcare Trust</p> <p>Local Health Authorities Analytical Committee</p> <p>Parliamentary Commissioner for Administrative Investigations</p> <p>Professional Standards Council</p> <p>Quadriplegic Centre Board *</p> <p>South West Health Board *</p> <p>Trustees of the Public Education Endowment Trust</p> <p>WA Country Health Service *</p> <p>Western Australian Building Management Authority</p> <p>Zoological Parks Authority *</p> <p>Minister advised Parliament of late annual reporting for:</p> <ul style="list-style-type: none"> <li>● Building and Construction Industry Training Board</li> <li>● Curriculum Council</li> <li>● Department of Education and Training</li> <li>● Department of Education Services</li> <li>● Trustees of Public Education Endowment Trust</li> </ul> <p>* Received by Clerk of Legislative Assembly since 29 September 2006 for tabling on 17 October 2006</p>



## Appendix 3: Audit Certifications

Audit work is also undertaken throughout the year to certify financial and statistical information produced by departments and statutory authorities. This assists agencies to discharge conditions of Commonwealth funding, grants or other legislation. This service to agencies ensures that they meet conditions of their funding agreements in a timely manner and are in a position to receive ongoing funding or apply for future funding under existing or new agreements.

The following certifications were completed since 31 March 2006 for activities largely occurring during 2005-06. In all cases managements' assertions were confirmed and no adverse reports were issued.

Client	Certification Relates to	Date Issued
Curtin University of Technology	<b>Higher Education Funding Act 1988:</b> Part of the Higher Education Research Data Collection being the total amount of research income reported in Table 1 as Australian competitive research grants, other public sector research funding and industry and other funding for research for year ended 31/12/2005	28/06/2006
Department of Education and Training	Australian Vocational Education and Training (VET) Management Information Statistical Standard:	28/07/2006
	<ul style="list-style-type: none"> <li>Assessment of Australian National Training Authority scope and boundary expenditure during 2005</li> <li>Summary of Australian VET management information statistical standard for VET financial data during 2005.</li> </ul>	28/07/2006
Department of Treasury and Finance	<b>Satellite Mobile Phone Program Project (WA2000/122):</b> Statement of expenditure for period 01/07/2001 to 31/03/2006 for Satellite Mobile Phone Program Project under funding deed with the Commonwealth Department of Communication, Information Technology and the Arts	30/06/2006
Department of Treasury and Finance	<b>State Grants (Petroleum Products) Act 1965:</b> Statement of expenditure by State of Western Australia in accordance with Scheme under the Act for year ended 30/06/2006	01/08/2006
Edith Cowan University	<b>Higher Education Funding Act 1988:</b> Part of the Higher Education Research Data Collection being the total amount of research income reported in Table 1 as Australian competitive research grants, other public sector research funding and industry and other funding for research for year ended 31/12/2005	28/06/2006
Electricity Networks Corporation – Western Power	<b>Telecommunications (Consumer Protection and Service Standards) Act 1999:</b> Eligible Revenue Return for Bright Telecommunications Pty Ltd for period ended 30/06/2006	28/09/2006
Murdoch University	<b>Higher Education Funding Act 1988:</b> Part of the Higher Education Research Data Collection being the total amount of research income reported in Table 1 as Australian competitive research grants, other public sector research funding and industry and other funding for research for year ended 31/12/2005	28/06/2006
The University of Western Australia	<b>Higher Education Funding Act 1988:</b> Part of the Higher Education Research Data Collection being the total amount of research income reported in Table 1 as Australian competitive research grants, other public sector research funding and industry and other funding for research for year ended 31/12/2005	28/06/2006
Western Australian Electoral Commission	<b>Electoral Distribution Act 1907:</b> Financial statement of Electoral Distribution Commissioners' Expenses for the period 01/07/2005 to 21/06/2006	30/06/2006

### Appendix 3: Certifications issued

Source: OAG



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