

# Western Australian Auditor General's Report



## **Audit Results Report – Annual 2015 Financial Audits**

– Universities and state training providers  
– Other audits completed since 1 November 2015

and

## **Opinion on Ministerial Notification**



**Report 5: May 2016**

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## WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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### **Opinion on Ministerial Notification**



**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

### **AUDIT RESULTS REPORT – ANNUAL 2015 FINANCIAL AUDITS AND OPINION ON MINISTERIAL NOTIFICATION**

This report has been prepared under the provisions of section 24 of the *Auditor General Act 2006*. The Audit Results Report covers financial audits completed since 1 November 2015 and includes:

- opinions and results of audits on controls, financial statements and key performance indicators of the 4 universities and 11 state training providers for the year ended 31 December 2015
- opinions and results of audits of 9 university subsidiaries
- student enrolment and funding information, key financial indicators commonly used to analyse financial health, and graduate survey results for the tertiary education sector
- other audit opinions issued, including statutory authorities, cemetery boards and request audits
- audit certifications of financial and statistical information produced by agencies to discharge conditions of Commonwealth funding, grants and other legislation and Royalties for Regions program agreements.

This finalises my reporting on the 2015 audit cycle.

I wish to acknowledge the assistance provided by the boards of accountable authorities, directors-general, chief executive officers, chief finance officers and others during the conduct of the annual financial audit program and in finalising this report.

Also included is my opinion on the reasonableness and appropriateness of the decision by the Minister for Finance to not provide information to Parliament.

COLIN MURPHY  
AUDITOR GENERAL  
10 May 2016

# WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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## Auditor General's overview

This report summarises the results of the annual audits of the 4 public universities and their subsidiaries and the 11 state training providers (now referred to as TAFE colleges) for the year ended 31 December 2015, as well as a small number of various other audits. The report completes the 2015 annual audit cycle.



We issued clear audit opinions for all universities and state training providers on their financial statements, controls and key performance indicators. We identified and reported a slightly larger number of financial and IT control weaknesses to the educational institutions in 2015 compared to the prior year. However, we are pleased that the institutions had evidently given a higher priority to addressing prior years' IT weaknesses than in the past.

Our review of annual and long service leave liabilities of the tertiary education sector highlighted a \$10.4 million reduction in total leave liabilities over the year. This was against the recent trend of increasing leave liabilities, not just in educational institutions but amongst government agencies in general. The reduction to a large part was due to a voluntary separation scheme accepted by 231 employees of state training providers.

Overall the institutions were audit ready earlier this year and the quality of their financial statements presented for audit was generally better than prior years. Six institutions achieved our best practice status for good financial controls and reporting practices.

We have again included selected financial indicators and key performance information in this report. Some of this information was also contained in individual annual reports. However, I hope that inclusion of this information in a single report will provide Parliament with information that is useful for assessing the overall performance of the tertiary education sector. In particular, the information should provide a milestone view of the financial position and performance of the vocational education and training sector prior to its restructuring in April 2016 when the number of colleges reduced from 11 to 5.

## Executive summary

This Audit Results Report contains the findings primarily from the annual financial audits of universities and state training providers (STPs) that had a 31 December 2015 reporting date.

In 2015, the public tertiary education sector comprised 4 universities and 4 metropolitan and 7 regional STPs. Total revenue of this sector in 2015 was \$3.1 billion (universities \$2.5 billion and STPs \$585 million), including Commonwealth and State funding. The universities have combined assets of \$5.9 billion while the STPs have assets valued at \$1.3 billion. Further details of the sector's revenue and expenditure are included in Appendix 4.

To ensure that the sector produces timely and accurate financial reports, it is important that management keep proper accounts and records. Key to this is an effective internal control system to alert management to irregularities in electronic environments and manual procedures, and to help them prevent, detect and investigate errors and fraud.

The *Auditor General Act 2006* (AG Act) requires the Auditor General to annually audit the financial statements, controls and key performance indicators (KPIs) of universities and STPs. A clear audit opinion indicates generally satisfactory controls and that the financial statements are complete, accurate, comply with relevant legislation and applicable accounting standards and fairly represent performance during the year and the financial position at year end.

This report, along with the *Audit Results Report – Annual 2014-15 Financial Audits* (Report 24, November 2015), finalises the 2015 financial audit cycle.

## Key findings

### Audit opinions

- Clear audit opinions were issued:
  - on financial statements, controls and KPIs of the 4 public universities and the 11 state training providers
  - on the financial statements of 9 university subsidiaries
  - for 9 other smaller agencies
  - for 49 certifications. (Refer to page 8 and Appendices 1 and 2)
- The Art Gallery of Western Australia received a qualified opinion on its financial statements for the year ending 30 June 2015. We were unable to determine whether the reported value of its works of art represented fair value as management had not undertaken a valuation since 2010. (Refer to page 10)

### Management issues

- 74 financial and management control weaknesses were reported to universities and STPs, being slightly more than the previous year. Twenty-seven percent were unresolved from the previous year. (Refer to page 11)
- 113 information system control issues were identified compared with 97 in the prior year. Thirty-six percent were unresolved issues from the previous year. (Refer to page 14)
- Annual and long service leave liabilities of the universities and STPs fell by 1.5% and 9% respectively in 2015, being a reduction of \$10.4 million across the sector. (Refer to page 13)



## Financial performance

- The state's 4 public universities and 11 STPs were, for the most part a low to medium risk when measured against selected key financial performance indicators, though the risk level increased slightly overall in 2015. (Refer to page 19)

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## Recommendations

1. **Universities, STPs and other agencies should ensure that identified financial management, KPI and information systems control issues are addressed in a timely manner to ensure the continuing integrity of their financial controls and external reporting.** (Refer to page 15)
2. **The effectiveness of leave liability plans in reducing leave liability balances should be reported regularly to the CEO and senate/council, preferably on a cost centre basis, so that problem areas can be readily identified.** (Refer to page 14)

## Audit opinions for universities, state training providers and others

- **Clear audit opinions on financial statements, controls and KPIs were issued to the 4 public universities and the 11 STPs and on the financial statements of 9 university subsidiaries for the year ended 31 December 2015.**
- **Nine audit opinions were issued to a range of other agencies and a further 49 certifications have also been issued.**
- **The Art Gallery of Western Australia received a qualified opinion on its financial statements for the year ending 30 June 2015. We were unable to determine whether the reported value of its works of art represented fair value, as management had not undertaken a valuation since 2010.**

Management of the universities and STPs is responsible for keeping proper accounts and records to enable the timely and accurate preparation of financial reports. An effective internal control system should operate to alert management to irregularities in procedures and assist them to prevent, detect and investigate errors and fraud.

The Auditor General is required to issue an opinion to the responsible Minister for each university and STP. The opinion relates to:

- financial statements – assurance that the financial statements and supporting notes are materially complete, accurate, reliable and comply with relevant legislation and applicable accounting standards
- controls – assurance that the internal control systems and procedures in manual and electronic environments are adequate and ensure that financial transactions comply with legislative requirements
- key performance indicators (KPIs) – assurance that the KPIs are relevant, appropriate, based on reliable data and fairly present the performance of the institution in achieving its desired outcomes.

## Clear opinions issued for universities and state training providers

For the year ended 31 December 2015, clear audit opinions were issued on the financial statements, controls and KPIs of all universities, university subsidiaries and STPs. Refer to Table 1.

Some universities use subsidiary companies to conduct activities on their behalf. The audit opinions for these subsidiaries relate to financial statements only as they are not required to submit KPIs. The financial results of the subsidiaries are included in the consolidated financial statements of their controlling/parent university. Annual reports of subsidiaries are not required to be tabled in Parliament.

<b>UNIVERSITIES</b> <b>Opinion on financial statements, controls and KPIs</b>	<b>Opinion Issued</b>
Curtin University of Technology	17/03/2016
Edith Cowan University (ECU)	11/03/2016
Murdoch University	15/03/2016
The University of Western Australia (UWA)	14/03/2016
<b>STATE TRAINING PROVIDERS</b> <b>Opinion on financial statements, controls and KPIs</b>	
Central Institute of Technology	26/02/2016
Challenger Institute of Technology	02/03/2016
CY O'Connor Institute	02/03/2016
Durack Institute of Technology	04/03/2016
Goldfields Institute of Technology	14/03/2016
Great Southern Institute of Technology	11/03/2016
Kimberley Training Institute	03/03/2016
Pilbara Institute	14/03/2016
Polytechnic West	29/02/2016
South West Institute of Technology	29/02/2016
West Coast Institute of Training	18/02/2016
<b>UNIVERSITIES' SUBSIDIARIES AND REQUEST AUDITS</b> <b>Opinion on financial statements only</b>	
<b>Murdoch University</b>	
Alan and Iris Peacocke Research Foundation	14/03/2016
Innovative Chiropractic Learning Pty Ltd	09/03/2016
Murdoch College Properties Pty Ltd	09/03/2016
Murdoch Retirement Services Pty Ltd	09/03/2016
Murdoch University Foundation	14/03/2016
Murdoch University Veterinary Trust	14/03/2016
<b>The University of Western Australia</b>	
Perth USAsia Centre Limited	14/04/2016
The University Club of Western Australia Pty Ltd	08/03/2016
UWA Accommodation Services Pty Ltd	24/03/2016

**Table 1: Audit opinions issued for universities, subsidiaries and state training providers**

## Restructure of TAFE colleges from April 2016

The Minister for Training and Workforce Development announced key changes to Western Australia's training system on 24 February 2016. As a result, from 11 April 2016 the 11 STPs were restructured into 5 statutory authorities, now referred to as TAFE colleges. The 2 new metropolitan and 3 new regional TAFE colleges continue to provide training courses to enrolled students at their 70 campus locations across the state.

Final audits of the 11 former STPs for the period up to their restructure are in progress.

## **Nine other audit opinions were issued including 1 qualified opinion**

In addition to the tertiary education sector audits reported above, we have issued a further 9 opinions for statutory authorities, cemetery boards and a request audit since 1 November 2015. Refer to Appendix 1 on page 27. One of these opinions was qualified, as noted below. This concludes our reporting on agencies' audits for the 2015 year.

A qualified opinion alerts readers to inaccuracies or limitations in an agency's audited financial statements, controls or KPIs presented in their annual report.

### **Art Gallery of Western Australia – Qualified opinion on financial statements for year ended 30 June 2015**

The art collection of the Art Gallery was last comprehensively valued in 2010. Because the collection was not valued with sufficient regularity as required by the Australian Accounting Standards, we were unable to determine whether the carrying amount of \$213 million at 30 June 2015 represented fair value in the Art Gallery's financial statements. A valuation of the collection is currently in progress.

## **Forty-nine audit certifications were issued**

Throughout the year, we conduct audit work to certify financial and statistical information produced by agencies. The audit opinion enables agencies to meet conditions of State or Commonwealth funding or specific grant requirements or legislation. The opinion also enables agencies to receive ongoing funding under existing agreements or to apply for new funding.

Our November 2015 Audit Results Report detailed 224 certifications issued by 31 October 2015, including 205 under the Royalties for Regions program – predominantly for the 30 June 2015 period. Since then we have issued a further 49 certifications including 39 under the Royalties for Regions program – refer Appendix 2 on page 28.

## Management and reporting issues at universities and state training providers

- **74 financial and management control weaknesses were reported to universities and STPs, being slightly more than the previous year. Twenty-seven percent were unresolved from the previous year.**
- **113 information system control issues were identified compared with 97 in the prior year. Thirty-six percent were unresolved issues from the previous year.**
- **Annual and long service leave liabilities of the universities and STPs fell by 1.5% and 9% respectively in 2015, being a reduction of \$10.4 million across the sector.**
- **Two universities and 4 STPs met our best practice standard for their good financial controls and reporting practices in 2015.**

## Financial control and reporting issues

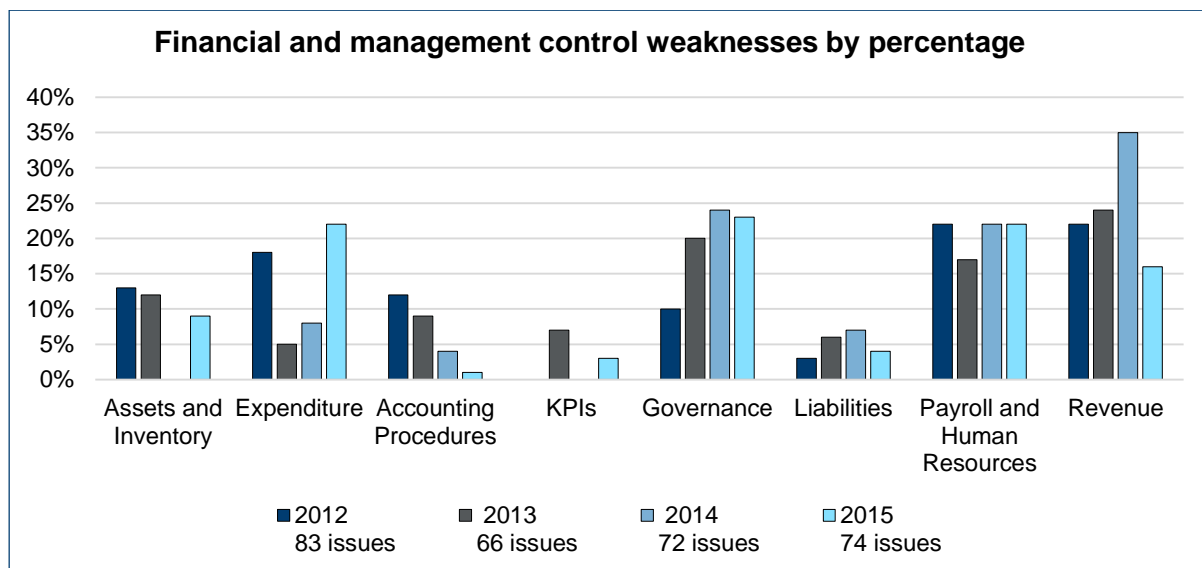
Every institution is responsible for developing and maintaining an internal control system and procedures to ensure legislative compliance and the accurate recording and reporting of financial information and KPIs. The internal control framework of an agency includes the controls for financial and human resource management as well as information systems' procedures and governance processes. Where internal controls are weak, it is more likely that errors or fraud may occur and/or go undetected.

The AG Act requires the Auditor General to form an opinion on the controls of universities and STPs. In forming our opinion, we assess compliance with key aspects of legislation. At most of these agencies we also assess the ability of internal control systems and procedures to record and report reliable financial information and KPIs.

We reported a total of 74 financial and management control weaknesses to the 4 universities and 11 STPs in 2015.

We rated 52 (70%) of the control weaknesses as medium risk meaning that they were of sufficient concern to warrant taking action as soon as possible. Normally these matters require system or procedural improvements. If not addressed, they could escalate to a significant risk. Twenty (27%) were unresolved prior year issues at 7 of the institutions. This was an increase on the previous year when 13 (18%) of the weaknesses were unresolved issues.

Figure 1 shows the types of control weaknesses identified from 2012 to 2015.



**Figure 1: Financial and management control weaknesses for last 4 years**

#### **Payroll and human resource control weaknesses included:**

- Insufficient evidence of key controls over employment terminations. For instance, evidence to show the completion of termination checklists for terminating employee was routinely lacking. These checklists are important for reasons such as ensuring the return of mobile phones and laptops and the cancellation of purchasing cards. There were also instances where payout figures were not checked and authorised prior to an employee's final salary payment.
- Payroll certification reports not reviewed, signed and returned to the payroll unit by cost centre managers. The tertiary education sector often employs lecturers on a part-time or casual basis. Review of payroll certification reports by faculty or cost centre managers is an important control to provide assurance that staff are paid correctly for the hours they worked. This review also helps prevent payments to 'ghost' employees. That is, it confirms that payroll recipients are genuine employees.

#### **Revenue control weaknesses reported to management included:**

- Eligibility of students to concessions on their student fees was not routinely checked. In some instances, enrolling officers did not record eligibility details or retain evidence to support the student's claim. As a result, management is unable to review concessions granted for compliance with concession policies.
- Students' refunds were made without being checked or reviewed as required by the institutes' procedures. In some instances, refunds did not meet the requirements of policy guidelines.

#### **Governance weaknesses reported to 8 institutions included:**

- Leases or service level agreements not put in place for arrangements that require a legal contract or formal agreement. This exposes the institution to loss or litigation in the event of disagreement between the parties.

## New rules for students without a Unique Student Identifier (USI)

Effective from 1 January 2015, the *Student Identifiers Act 2014* requires registered training organisations to only issue a vocational education and training (VET) qualification or statement of attainment to students with a USI. The Department of Training and Workforce Development (DTWD), which funds much of the STPs' operations, incorporated a similar requirement, with the STPs not funded for students who did not have a USI. One of the main reasons for introducing USIs was to improve the administration and tracking of students' qualifications, particularly where students had undergone different courses at different institutions and organisations.

In semester 1 of 2015, the first semester under the new requirements, over 1,900 students (0.6%) enrolled without a USI at 4 of the STPs we sampled. At all STPs management followed up students to insist that they apply for an USI. This remedial work in semester 2 ensured that most students had a USI recorded before completing their 2015 studies. In December 2015, DTWD advised that STPs would not be penalised through withholding funding for the comparatively small amount of training received by students without an USI. Most STPs advised us that they either withheld graduating students' qualifications or all students' results for students that lacked a USI.

## Revaluation of universities' investment

The 4 Western Australian public universities, along with 34 other Australian universities, each purchased 10,000 \$1 shares in Education Australia Limited (EAL), an unlisted entity in 1997. The 38 Australian universities wholly own EAL which in turn owns 50% of IDP Education Limited (IDP), a company offering international student placement services. IDP was floated on the Australian Stock Exchange in November 2015. EAL retained its 50% share in IDP and is a major shareholder.

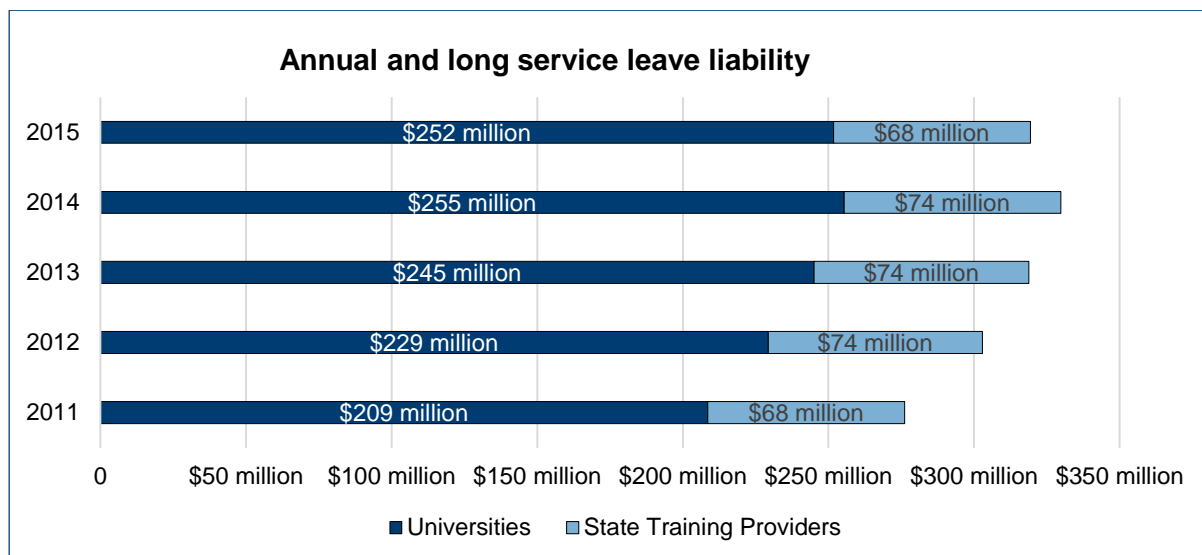
At 31 December 2015, each university's investment in EAL was independently valued at \$9.198 million. All 4 universities appropriately recognised the gain on revaluation as other comprehensive income in their accounts.

## Management of leave liabilities

Universities and STPs have significant leave liabilities which require proactive management.

Last year we reported that universities' leave liabilities had increased by 22% over the previous 3 years. It is therefore pleasing that the combined leave liabilities for universities declined by \$3.7 million (1.5%) in 2015. This was mainly due to more effective leave management by all universities and a voluntary early retirement scheme at Murdoch.

Total leave liability of STPs fell by \$6.7 million (9%) in 2015. Part of the reason for the reduction was a voluntary separation scheme funded by the DTWD. As a result, 231 employees left the public service. Figure 2 shows the movement in total leave liability in recent years.



Source: Annual financial statements of universities and state training providers

**Figure 2: Combined universities and combined state training providers' leave liabilities**

Large leave liabilities have an adverse effect on an organisation's net assets position. Institutes need to continue to closely manage these liabilities for a number of reasons. Large balances can lead to difficulties in raising sufficient cash to pay out balances as and when staff resign or retire and generally, at a higher pay rate than when the entitlement was accrued. It is also important that staff take regular leave for their health and wellbeing. Agencies also need to be aware that in rare instances, the non-taking of leave is an indicator of staff wishing to conceal fraud.

Challenges that impact upon successful leave management include:

- service delivery pressures
- ad hoc management of leave, including lack of planning.

Factors that help to reduce leave liabilities include:

- close monitoring of leave plans to ensure that staff schedule and take their entitlement of annual leave each year and extinguish their long service leave within a few years of entitlement
- policies that encourage staff to take part of their leave as a cash payout or reduce their long service leave entitlement on a pro rata basis before they accrue their full entitlement.

## Recommendation

**The effectiveness of leave liability plans in reducing leave liability balances should be reported regularly to the CEO and senate/council, preferably on a cost centre basis, so that problem areas can be readily identified.**

## Information system control issues

Each year we audit the information system (IS) controls at selected universities and STPs. The audit determines whether controls are designed, implemented and operating effectively to enable reliable and secure processing of financial and key performance information. In 2015 we audited IS controls at the 4 universities, the 4 metropolitan STPs and 5 of the regional training providers which we assess on a rotational basis.



We identified 113 IS control weaknesses of which we rated 71% as moderate weaknesses, meaning corrective action should be taken as soon as possible. We rated the remaining 33 (29%) as minor with none assessed as significant.

Of the issues raised, 41 (36%) were carried over from previous audits which was considerably fewer than the prior year when 57% were carried over. It was evident to us that the sector generally took a more holistic and proactive approach to good practice. A capability maturity assessment we completed as part of the audits provided insight into the improved approach. Our next annual information systems audit report which is expected to be tabled in the second quarter 2016, will provide more detail of our IS audit results.

Security issues accounted for 33% of the findings. Types of security weaknesses included weak passwords and unauthorised and inappropriate access and system vulnerabilities. Operations findings made up 44% which include the processing and handling of information, monitoring and logging user activity, management and review of access privileges.

The distribution of findings are similar to those reported for 2014 with minimal changes across areas. If not addressed, IS control issues have the potential to compromise the confidentiality, integrity and availability of computer systems. Figure 3 shows the distribution of our findings.

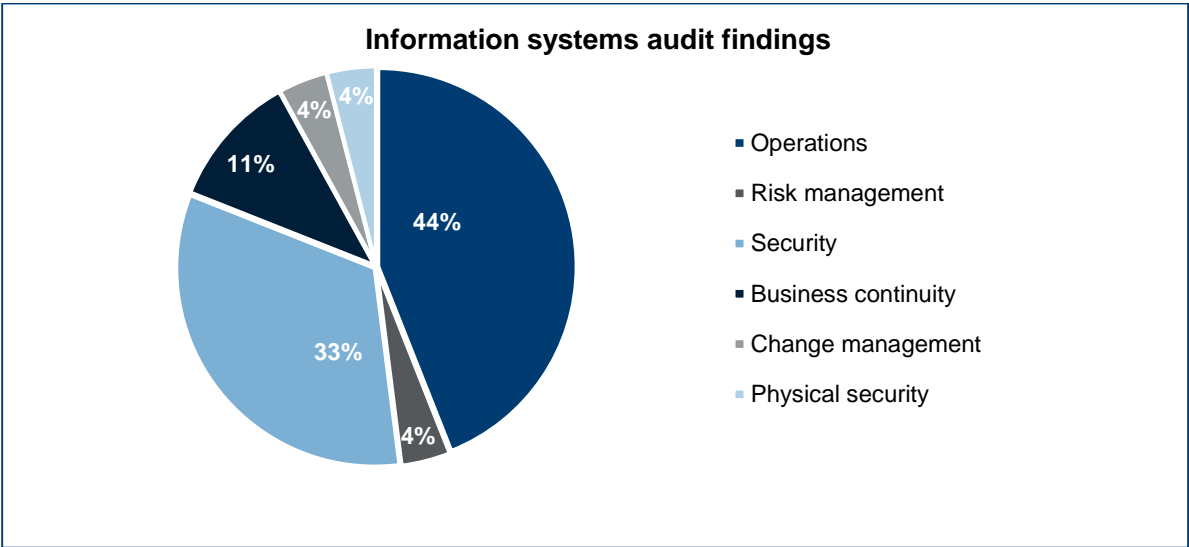


Figure 3: Information systems audit findings in 2015

Recommendation

Universities, STPs and other agencies should ensure that identified financial management, KPI and IS control issues are addressed in a timely manner to ensure the continuing integrity of their financial controls and external reporting.

Timeliness and quality of financial reporting improved in 2015

Timely preparation of financial statements and being audit ready enables agencies to release resources for other important tasks. All of the institutions were audit ready earlier or at about the same time as the previous year.

Our criteria for assessing best practice in financial reporting (see below) include this timeliness aspect as well as the quality of the financial statements prepared for audit. Generally, the quality of the financial statements in 2015 was better than the prior year.

In particular there was improvement in management resolving accounting standards and presentation issues prior to preparing their financial statements for audit.

Universities and STPs use model financial statements<sup>1</sup> and guidelines in the preparation of their financial statements. This assists compliance with statutory requirements and helps minimise errors. Agencies can further reduce the number of errors through rigorous internal review that includes completeness, accuracy and quality of the draft financial statements and supporting working papers.

## Six agencies were rated as best practice for financial reporting and controls

Two universities and 4 STPs demonstrated best practice in their financial controls and reporting in 2015 – refer to Table 2.

Our criteria for achieving best practice status include:

- clear opinions on their financial statements, controls and KPIs
- audit ready early, ideally by 31 January
- good quality financial statements and KPIs, supported by reliable working papers and submitted for audit within the agreed timeframe
- management resolution of accounting standards and presentation issues (before the audit process begins)
- key staff available during the audit process
- assessment of the number and significance of control weaknesses identified by our audit.

Universities	State Training Providers
Curtin University of Technology Edith Cowan University	Challenger Institute of Technology Kimberley Training Institute Polytechnic West West Coast Institute of Training

**Table 2: Institutions rated in 2015 as best practice for financial controls and reporting**

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<sup>1</sup> Model financial statements are developed for:

- universities by the Commonwealth Department of Education and Training
- state training providers by the Western Australian Department of Training and Workforce Development.

## Funding and student enrolments at state training providers

- Since the introduction of higher fees for vocational education and training in January 2014, student fee revenue has increased while the amount of training delivered has continued to decrease.

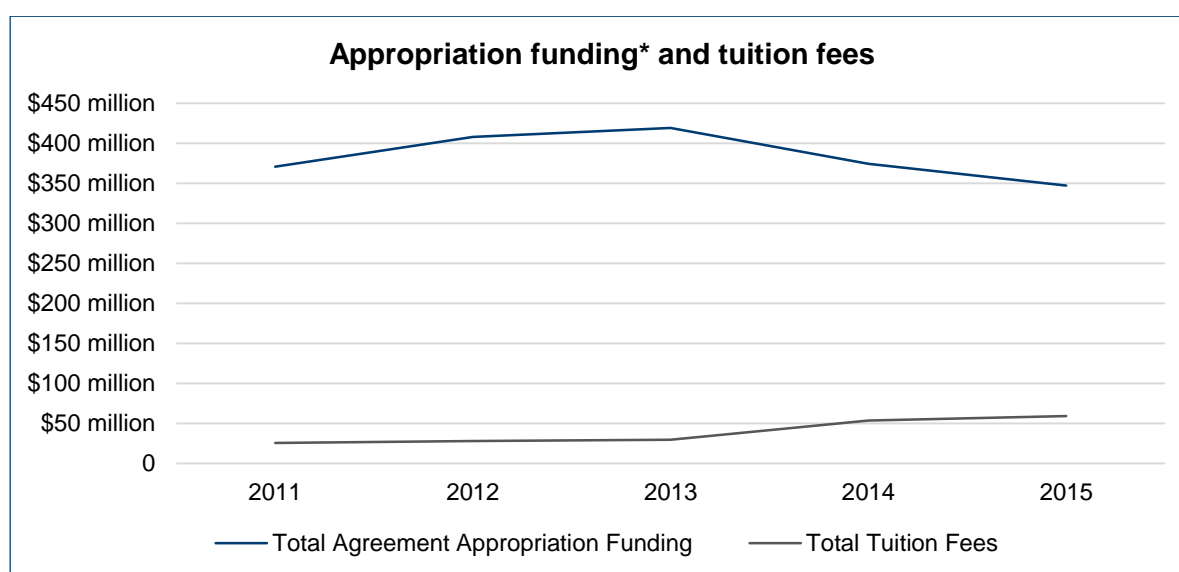
Government policy changes in recent years have created challenges for STPs. The impact of these changes is mainly on student enrolment numbers and the level of government funding which is based on the hours of training delivered.

### State training providers' funding and student enrolments

Government's funding model for Western Australia's STPs changed significantly from January 2014. The main changes were a reduction in the combined appropriation funding from government and a higher student fee structure.

The Department of Training and Workforce Development (DTWD) administers Commonwealth and State government funding to STPs. Funding is based on a delivery and performance agreement (agreement) between the DTWD and the STP. Each agreement considers the State's strategic training needs as well as the needs of the local community, individuals and the training plans of industry in the provider's region.

Since 2013, funding to STPs under agreements with DTWD decreased by \$72.1 million or 17.2%, as shown in Figure 4. Tuition fees collected from students increased by \$29.6 million, or 101% for the same period.

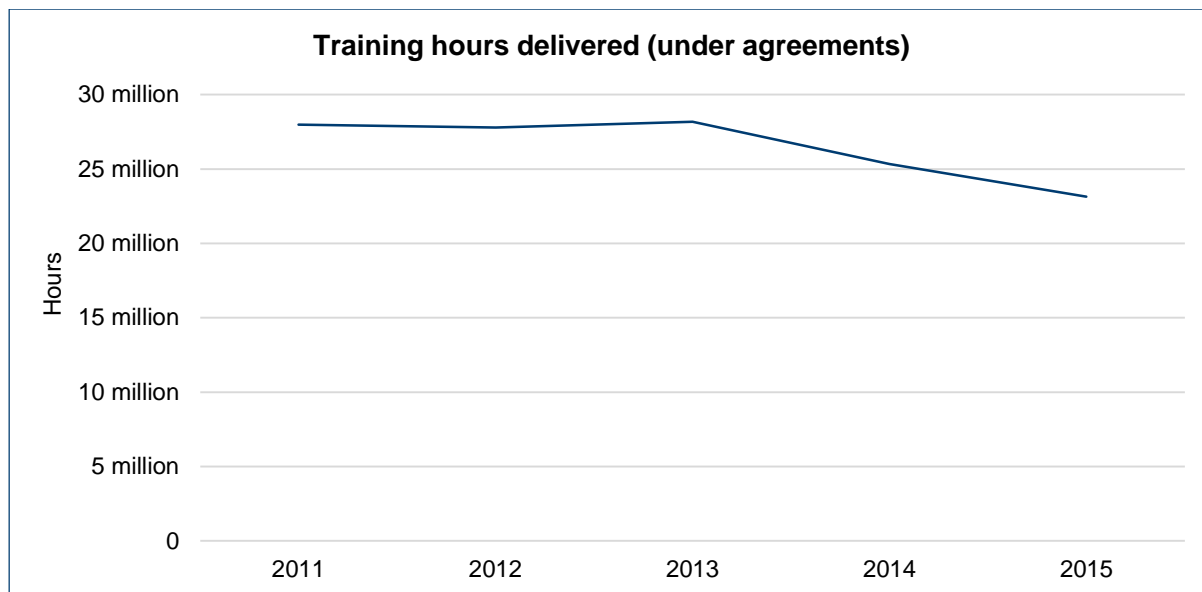


Source: Audited financial statements of state training providers

**Figure 4: State training providers' appropriation and tuition fee collections**

\* Funding under Delivery and Performance Agreements

Student curriculum hours is the measure used for quantum of student enrolments at STPs. As shown in Figure 5, there was a significant decline in the training delivered in the last 3 years, from 28.2 million hours in 2013 to 23.1 million hours in 2015.



Source: Audited KPIs of state training providers

**Figure 5: State training providers' delivery and performance agreement profile hours for last 5 years**

A table detailing the agreement profile hours for each STP appears in Appendix 3 on page 31.

## Financial performance of universities and state training providers

- The state's 4 public universities and 11 STPs were, for the most part a low to medium risk when measured against selected KPIs, though the risk level increased slightly overall in 2015.

This section of the report provides a summary of selected KPIs and key financial ratios that are commonly used to analyse financial health. Most of this information has been reported in each university's or STPs' tabled annual report but is summarised here for the convenience of Parliament.

2015 – Universities	
Liquidity / current ratio	3 universities rated as low liquidity risk
Diversity of revenue	2 universities rated as low risk and 2 as medium risk
Dependence on international students	3 universities rated as low risk and 1 as medium risk
Operating results	3 universities rated as low risk
Borrowings to equity ratio	3 universities rated as low risk and 1 as high risk
2015 – State Training Providers	
Liquidity / current ratio	9 of the 11 STPs considered low risk
Financial result	3 STPs recorded a surplus

**Table 3: Summary of selected 2015 financial performance ratios**

### Universities' financial performance





The Commonwealth Department of Education and Training uses a number of benchmark indicators to assess the financial performance of universities. These measures include liquidity, diversity of revenue, dependence on international student fees, operating result and borrowings to equity ratio.

We have used each university's audited financial statements to show performance against these indicators for the 5 years ending 31 December 2015.

#### Liquidity / current ratio

The liquidity or current ratio assesses an entity's ability to meet their debts as and when they fall due. The traditional accounting formula is current assets divided by current liabilities.

The Commonwealth considers a ratio of more than 1 is low risk. Based on this rating, 3 universities were low risk for this indicator for 2015.

Liquidity / current ratio	2011	2012	2013	2014	2015	Trendline 2011 ↔ 2015
Curtin	1.2	1.4	1.2	1.4	1.3	
ECU	2.3	2.3	2.7	2.4	1.7	
Murdoch	1.4	2.1	2	2	1.9	
UWA	1.4	1.1	1.4	1.2	1	

**Table 4: Liquidity ratio for universities**

As the liquidity ratio recognises current assets only, we have also listed in Table 5, details of all university investments, current and non-current. This shows that, apart from Curtin, there was a general shift from current to non-current investments.

	31 December 2013 (\$m)			31 December 2014 (\$m)			31 December 2015 (\$m)		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
Curtin	141	413	<b>554</b>	148	415	<b>563</b>	165	384	<b>549</b>
ECU	181	71	<b>252</b>	195	86	<b>281</b>	163	124	<b>287</b>
Murdoch *	106	51	<b>157</b>	99	64	<b>163</b>	97	74	<b>171</b>
UWA *	118	554	<b>672</b>	128	631	<b>759</b>	121	658	<b>779</b>


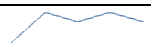
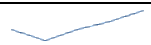
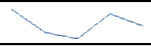
**Table 5: Investments of universities (cash and other financial assets)**

\* Investments of university only, excluding subsidiaries

## Diversity of revenue – dependence on Australian Government funding

One way universities can reduce their financial risks is by diversifying their revenue sources. Each university has a different capacity to generate revenue, depending on factors such as location, size, courses offered, extent of research activity, perceived standing and student profiles.

The Commonwealth considers universities with 55% or less of revenue received from Australian Government funding a low risk and between 55 to 65% to be medium risk. Australian Government financial assistance includes Commonwealth Grants Scheme and other grants, HECS-HELP and FEE-HELP payments. For 2015, UWA rated as low risk while the other 3 universities were a medium risk for this indicator.



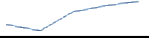
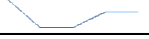
Diversity of revenue	2011	2012	2013	2014	2015	Trendline 2011 ↔ 2015
Curtin	46%	51%	53%	55%	56%	
ECU	62%	65%	64%	65%	64%	
Murdoch	51%	48%	51%	53%	56%	
UWA	56%	52%	51%	55%	53%	

**Table 6: Diversity of revenue (dependence on Australian Government funding) ratio**

## Dependence on overseas student fees

Universities can diversify their revenue sources by encouraging overseas students to study their courses. However, the general view is that universities should not be overly dependent on this source of income.

The Commonwealth considers universities with 15% or less of operating revenue from fee-paying overseas students to be low risk and between 15 and 25% to be medium risk. Based on these criteria, UWA continues to be a low risk while the other 3 universities are a medium risk.

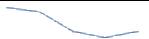

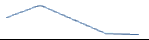

Overseas student fees ratio	2011	2012	2013	2014	2015	Trendline 2011 ↔ 2015
Curtin	25%	23%	19%	19%	19%	
ECU	16%	15%	14%	15%	17%	
Murdoch	14%	13%	16%	17%	18%	
UWA	12%	10%	10%	11%	11%	

**Table 7: Fees from overseas students as a proportion of total operating revenue**

## Operating result

Universities are not-for-profit organisations but their operating result is a useful measure of financial performance. Large deficits or a trend of consecutive deficits indicate a need for review and analysis.

Three universities reported a surplus for 2015 while Murdoch University had a break even result.

Operating result	2011	2012	2013	2014	2015	Trendline 2011 ↔ 2015
Curtin	11%	10%	7%	6%	7%	
ECU	9%	7%	8%	7%	7%	
Murdoch *	13%	23%	12%	2%	0%	
UWA #	6%	11%	13%	10%	3%	

**Table 8: Operating result as a percentage of total operating revenue**

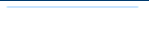



# UWA recognised an impairment of \$18.2 million on its special (museum) collection in 2015. Without this impairment, the ratio would have been 5%.

\* Murdoch received revenue of \$49 million from its subsidiary, Murdoch Retirement Services Pty Ltd, in 2012. Without this revenue the ratio would have been 11%.

## Borrowings to equity ratio

Legislation permits universities to finance their activities by borrowing. The Commonwealth considers universities with 7% or less of their equity represented by borrowings to be low risk. Greater than 10% rates as high risk.

ECU was a high risk on this indicator while the other 3 universities are low risk. ECU made significant borrowings in 2012 to fund building programs.

Borrowings to Equity ratio	2011	2012	2013	2014	2015	Trendline 2011 ↔ 2015
Curtin	2%	2%	2%	2%	2%	
ECU	5%	11%	10%	11%	11%	
Murdoch	3%	1%	1%	1%	1%	
UWA	5%	7%	8%	7%	7%	

**Table 9: Borrowings to equity ratio**

Note: Curtin's borrowings exclude amounts for the Chemistry Centre (WA) which are offset by lease revenue.

## Financial results of state training providers

The following 3 selected key financial performance measures for STPs are calculated from information presented in their annual reports. The Goldfields Institute of Technology's results start from its commencement on 1 July 2012.

### Liquidity / current ratio

The liquidity or current ratio calculation is the traditional formula of current assets divided by current liabilities. This ratio assesses an entity's ability to meet their debts as and when they fall due. A ratio of more than 1 is generally accepted as low risk. Challenger and South West institutes had ratios less than 1. South West Institute received less funding in 2015 and also refunded \$2.4 million of 2014 funding to DTWD.

Liquidity / current ratio	2011	2012	2013	2014	2015	Trendline 2011 ↔ 2015
Central Institute of Technology	2.4	2.4	2.3	2.1	2.1	
Challenger Institute of Technology	2	1.6	1.4	1.2	0.9	
CY O'Connor Institute	0.8	0.9	1.3	1.3	1.0	
Durack Institute of Technology	2.2	2.0	2.1	2.2	1.2	
Goldfields Institute of Technology		2.7	3.9	2.6	2.4	
Great Southern Institute of Technology	1.8	1.8	2.2	2.5	2.9	
Kimberley Training Institute	0.8	0.7	0.9	1.2	1.4	
Pilbara Institute	4.7	2.6	2.2	2.2	2.0	
Polytechnic West	1.1	0.5	0.9	1.1	1.4	
South West Institute of Technology	1.8	1.9	1.8	1.2	0.6	
West Coast Institute of Training	3.2	2.7	3.0	2.8	3.7	

**Table 10: Liquidity or current ratio of state training providers**

### Financial result

A number of factors can determine whether an organisation achieves a surplus financial result. However, a surplus is generally an indicator that an entity is adequately funded, and has sound financial management and/or good budgeting. For the year ended 31 December 2015, only 3 STPs recorded a surplus. This was a similar result to the previous year. Payouts of accumulated leave entitlements for redundancies were one of the reasons for the deficits in 2015.

Financial result (000s)	2011	2012	2013	2014	2015	Trendline 2011 ↔ 2015
Central Institute of Technology	10,457	2,568	3,034	1,443	-1,291	
Challenger Institute of Technology	1,439	-3,489	-5,654	-7,046	-10,407	
CY O'Connor Institute	-2,945	-637	171	-284	-667	
Durack Institute of Technology	398	-283	-754	-156	-4,213	
Goldfields Institute of Technology		-2,666	535	140	139	
Great Southern Institute of Technology	-1,153	-780	21	-213	8	
Kimberley Training Institute	-312	-1,695	-1,334	-477	-1,189	
Pilbara Institute	9,420	-1,353	-3,506	-2,588	-3,278	
Polytechnic West	-4,875	-11,567	1,118	4,860	3,928	
South West Institute of Technology	55	75	-2,589	-4,608	-4,673	
West Coast Institute of Training	33	-3,728	579	-1,626	-1,407	

**Table 11: Financial results of state training providers**

Note: State training providers are not funded for their depreciation expense.



## Cost per student curriculum hour

The cost per student curriculum hour is a key financial performance measure calculated by dividing the total cost of services by the total number of student curriculum hours of training delivered.

Many factors influence this measure, so readers should not use this data alone for comparison between STPs. However it provides a high level indication of efficiency. Factors can include regional location and economic conditions, the relative cost of different courses offered and student demographics.

In 2015, some STP staff received voluntary separation packages funded through DTWD. Additional funds expended for this purpose were included in the providers' costs for the year. These one-off separation payments impacted on providers' cost per student curriculum hour for 2015.

Cost per student curriculum hour	2011	2012	2013	2014	2015	Trendline 2011 ↔ 2015
Central Institute of Technology *	\$11.65	\$12.36	\$12.27	\$12.29	\$13.07	
Challenger Institute of Technology *	\$13.12	\$14.38	\$14.40	\$14.83	\$17.52	
CY O'Connor Institute	\$27.11	\$24.35	\$24.78	\$26.13	\$28.18	
Durack Institute of Technology	\$21.27	\$22.84	\$22.66	\$23.50	\$26.74	
Goldfields Institute of Technology			\$25.83	\$28.27	\$25.44	
Great Southern Institute of Technology	\$19.42	\$18.64	\$19.04	\$20.34	\$20.27	
Kimberley Training Institute	\$36.27	\$42.51	\$41.07	\$41.34	\$42.25	
Pilbara Institute	\$50.65	\$51.04	\$57.50	\$61.28	\$58.80	
Polytechnic West *	\$14.14	\$15.30	\$13.10	\$13.34	\$14.63	
South West Institute of Technology	\$16.50	\$17.44	\$19.39	\$21.06	\$23.39	
West Coast Institute of Training *	\$13.77	\$13.18	\$14.18	\$15.50	\$16.28	

**Table 12: Cost per student curriculum hour for state training providers**

\* Metropolitan training providers

# Graduate survey information for universities and state training providers

- **Graduating students from both universities and STPs recorded declining rates of achieving their desired level of employment over the last 4 years.**

This section of the report provides a summary of survey results collected by independent organisations from students studying and/or graduating from either a university or STP. As this information is not consistently reported in the tabled annual reports of universities and STPs, it is summarised here for the convenience of Parliament.

## Universities' graduate survey information

The following tables present graduate responses to the annual national course evaluation questionnaire conducted by Graduate Careers Australia 4 months after students complete their courses.

### Graduate satisfaction for university students

Table 13 summarises the extent to which domestic and international bachelor and undergraduate diploma level graduates were satisfied with the quality of their course.

Graduate satisfaction	2012	2013	2014	2015
Curtin	83.3%	80.2%	79.8%	80.4%
ECU	85.2%	87.1%	84.8%	84.6%
Murdoch	83.6%	82.0%	81.6%	84.6%
UWA	82.8%	82.4%	79.1%	76.7%

Source: Unpublished Australian graduate survey data from the Australian Government Department of Education and Training

**Table 13: Graduate satisfaction survey results for university graduates in year of survey**

### Graduate destination for university students

Table 14 show the proportion of domestic bachelor and undergraduate diploma level graduates not in further full-time study who were in their desired level of employment as a proportion of those who were in or were seeking employment. The desired level of employment may be either full-time or part-time.

The survey results show a slight improvement at 3 universities in 2015 compared to the 2014, but overall graduates' ability to achieve their desired level of employment has had a significant downward trend over the past 4 years.

Graduate destination	2012	2013	2014	2015
Curtin	84.1%	79.6%	69.3%	69.4%
ECU	75.5%	73.7%	66.8%	71.4%
Murdoch	79.6%	71.8%	68.5%	65.9%
UWA	82.3%	78.5%	71.1%	71.2%

Source: Unpublished Australian graduate survey data from the Australian Government Department of Education and Training

**Table 14: Graduate destination survey results for university graduates in year of survey**

## State training providers' student and graduate survey information

Surveys to establish student satisfaction and the proportion of students that gained employment are key measures of STP performance.

### Student satisfaction

The DTWD administers the student satisfaction survey for STPs. This annual survey is a measure of the quality of the service provided by the STPs.

The student satisfaction rating reports the number of 'satisfied' and 'very satisfied' respondents to the survey. Table 15 indicates that 7 of the 11 providers had an increase in student satisfaction in 2015.

Student satisfaction	2012	2013	2014	2015
Central Institute of Technology	83.8%	82.4%	83.3%	85.6%
Challenger Institute of Technology	86.5%	85.1%	84.9%	87.9%
CY O'Connor Institute	92.7%	89.1%	88.4%	88.0%
Durack Institute of Technology	87.6%	87.0%	90.4%	91.7%
Goldfields Institute of Technology	n/a	80.9%	85.8%	86.0%
Great Southern Institute of Technology	89.1%	92.2%	91.8%	89.1%
Kimberley Training Institute	87.4%	91.7%	91.3%	93.5%
Pilbara Institute	85.2%	90.6%	87.3%	90.6%
Polytechnic West	86.1%	85.7%	87.1%	87.3%
South West Institute of Technology	89.8%	90.0%	88.5%	86.0%
West Coast Institute of Training	86.2%	87.1%	88.7%	89.7%

Source: Audited KPIs of state training providers

**Table 15: Student satisfaction survey results for state training provider students**

### Graduate Achievement and Destination Rating for STP Students

The National Centre for Vocational Education Research (NCVER) conducts the student outcomes survey of STP graduates. The aim of the survey is to measure vocational education and training graduates' employment, further study and other opinions of the training undertaken. Tables 16 and 17 show data from the biennial survey of graduates from 2012 and 2014, being the results published in 2013 and 2015.

The graduate achievement rating is an indicator of the extent to which STP graduates consider they have fully or partly achieved their main reason for undertaking their training.

Graduate achievement rating	2013	2015
Central Institute of Technology	82.4%	80.7%
Challenger Institute of Technology	84.5%	80.1%
CY O'Connor Institute	91.8%	91.9%
Durack Institute of Technology	88.7%	90.7%

Goldfields Institute of Technology	91.1%	87.1%
Great Southern Institute of Technology	86.2%	88.6%
Kimberley Training Institute	90.2%	91.8%
Pilbara Institute	91.0%	87.1%
Polytechnic West	88.3%	84.7%
South West Institute of Technology	86.8%	84.6%
West Coast Institute of Training	84.1%	86.5%

Source: Audited KPIs of state training providers

**Table 16: Graduate achievement survey results for STP 2012 and 2014 graduates**

The graduate destination indicator is the proportion of graduates in employment and shows the extent to which the STP is providing relevant and quality training that improved student employability. Graduates' employability declined for 9 of the 11 STPs.

Graduate destination rating	2013	2015
Central Institute of Technology	77.5%	73.6%
Challenger Institute of Technology	78.9%	76.4%
CY O'Connor Institute	83.3%	94%
Durack Institute of Technology	87.0%	87.7%
Goldfields Institute of Technology	91.1%	83.9%
Great Southern Institute of Technology	85.1%	81.8%
Kimberley Training Institute	89.9%	87.2%
Pilbara Institute	89.3%	84.7%
Polytechnic West	78.7%	76.6%
South West Institute of Technology	82.0%	80.7%
West Coast Institute of Training	82.0%	77.3%

Source: Audited KPIs of state training providers

**Table 17: Graduate destination survey results for STP 2012 and 2014 graduates**

## Appendix 1: Other audit opinions issued since 1 November 2015

31 December 2015 reporting date	Opinion issued
<b>Statutory authorities</b>	
<b>Opinion on financial statements, controls and KPIs</b>	
Legal Contribution Trust — for 6 months ending 31/12/2015	15/03/2016
The Anzac Day Trust	<p>Audit work completed.</p> <p>However the term of appointment for the Trustees expired in November 2015. Once new Trustees are appointed, it is expected they will certify the financial statements and KPIs. This is a pre-requisite for the issuing of our audit opinion.</p>

30 June 2015 reporting date	Opinion issued
Art Gallery of Western Australia, The Board of the ( <i>Qualified opinion on financial statements. Refer page 10.</i> )	12/11/2015
<b>Cemetery Boards – audited under the <i>Cemeteries Act 1986</i></b>	
Financial statements only. There is no statutory deadline for the Boards to submit their financial statements	
Albany Cemetery Board	04/02/2016
Bunbury Cemetery Board	27/11/2015
Chowerup Cemetery Board	13/11/2015
Dwellingup Cemetery Board	Not submitted
Kalgoorlie-Boulder Cemetery Board	21/12/2015
South Caroling Cemetery Board	17/11/2015
<b>Request audit</b>	
Financial statements only. There is no statutory deadline for submission of financial statements for audit	
South West Cogeneration Joint Venture	26/02/2016

Final audits	Opinion issued
Financial statements only	
South Caroling Cemetery Board 01/07/2015 – 23/10/2015 (Management and control of the cemetery has transferred to the Shire of Quairading.)	17/11/2015

## Appendix 2: Certifications issued since 1 November 2015, including Royalties for Regions

Unless stated, the certifications were for the year ended 30 June 2015. The statements prepared by management were confirmed and no adverse reports were issued.

Client	Certification relates to	Date certification issued
Commissioner of Main Roads	<b>Interstate Road Transport Act 1985</b>	27/11/2015
	<b>National Land Transport Act 2014</b> <ul style="list-style-type: none"> <li>Black Spot Projects</li> <li>Land Transport Infrastructure Projects</li> </ul>	27/11/2015 27/11/2015
Department of Local Government	<b>Local Government (Financial Assistance) Act 1995:</b> Commonwealth funding to local government authorities	11/12/2015
Department of the Premier and Cabinet	<b>Western Australian Natural Disaster Relief Arrangements (NDRA)</b>	29/03/2016
Department of Transport	<b>Nation Building Program (National Land Transport) Act 2009</b> project: <ul style="list-style-type: none"> <li>Portlink Inland Freight Corridor Concept Plan</li> </ul>	08/03/2016
Electricity Generation and Retail Corporation	Compliance with Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 on Segregation Obligations	25/02/2016
Public Transport Authority of Western Australia	<b>Nation Building Program (National Land Transport) Act 2009</b> projects: <ul style="list-style-type: none"> <li>Grain Freight Re-Sleeping Project</li> <li>Trial of Low Profile Concrete Sleepers Project</li> </ul>	17/12/2015 17/12/2015
	National Partnership Agreement on the Implementation of Major Infrastructure Projects in Western Australia 2009-2014 <ul style="list-style-type: none"> <li>Perth City Link Project</li> </ul>	17/12/2015

### Royalties for Regions certifications

Delivering agency	Royalties for Regions approved projects	Date certification issued
Commissioner of Main Roads	Brand Highway – Greenough River Bridge 17/06/2014 – 12/01/2016	05/02/2016
	Community Priority Road Infrastructure – Marble Bar Road Improvement Project 28/03/2013 – 12/01/2016	05/02/2016
	South Coast Highway Ravensthorpe Heavy Vehicle Route 17/06/2014 – 02/02/2016	05/02/2016
	Wubin Mullewa Road 04/02/2013 – 12/01/2016	05/02/2016
Country High School Hostels Authority	Geraldton Residential College – Mid West Investment Plan 01/07/2012 – 30/06/2015	28/01/2016

Delivering agency	Royalties for Regions approved projects	Date certification issued
Department of Transport	Augusta Boat Harbour 16/08/2011 – 28/10/2015	16/12/2015
Department of Water	Regional Water Availability – Planning and Investigation	13/11/2015
	Water for Food Part II	14/12/2015
	Water for Food – West Kimberley	14/12/2015
	Water for Pilbara Cities – West Canning Basin	30/11/2015
Great Southern Development Commission	Regional Grants Scheme and Community Chest Fund 01/07/2015 – 31/12/2015	20/02/2016
Housing Authority	Hamilton Precinct Stage 1, South Hedland	04/11/2015
	Hedland 125 House Service Worker intervention package	17/12/2015
	Non-Government Organisation Housing Strategic Intervention – Stage 2 17/10/2012 – 30/06/2015	19/11/2015
	West Kimberley Transitional Housing Program	04/11/2015
Regional Power Corporation – Horizon Power	Pilbara Underground Power Project Phase 1 – 29/06/2009 – 06/04/2016	18/04/2016
WA Country Health Service	Busselton Health Campus 08/09/2011 – 30/06/2015	09/11/2015
	Patient Assisted Travel Scheme 06/06/2014 – 30/06/2015	01/03/2016
	Pilbara Cardiovascular Screening Program 07/12/2012 – 30/06/2015	27/01/2016
	Royal Flying Doctor Service 11/06/2015 – 30/06/2015	01/03/2016
	Rural Palliative Care program	08/12/2015
Western Australian Land Information Authority	Location Information Strategy for Western Australia	30/11/2015
Western Australian Land Authority	Albany Middleton Beach Site Acquisition	16/11/2015
	Batavia Coast Marina Stage 2 Remediation	16/11/2015
	Boodarie Entrance Road Design Project	16/11/2015
	Broome Road Industrial Area	16/11/2015
	Karratha City Centre Infrastructure Works Project	16/11/2015
	Karratha City Centre Infrastructure Works Project Stages 2A and 2B	16/11/2015
	Karratha City of the North Project	16/11/2015
	Newman Town Centre Revitalisation Stage 3	16/11/2015
	Progress to demolish the old Port Hedland Hospital Site and remediation	16/11/2015

Delivering agency	Royalties for Regions approved projects	Date certification issued
	Regional Centres Development Plan – Phase Two (Regional Cities) Stage 1 Delivery	16/11/2015
	South Hedland Town Centre Revitalisation Stage 2	16/11/2015
	SuperTowns Development Planning Fund – Landcorp for Katanning	16/11/2015
Western Australian Tourism Commission	Caravan and Camping Western Australia – Tourism	12/11/2015
	Kimberley Science and Conservation Strategy Components 01/07/2014 – 30/06/2015	17/11/2015
	Kimberley Science and Conservation Strategy Components 01/07/2015 – 15/12/2015	15/02/2016
	Regional Events Program Part 1 of 3 – Tourism Staffing, Marketing and Event Leveraging Funding	12/11/2015
	Regional Events Program Part 2 of 3 – Regional Events Scheme	17/11/2015



## Appendix 3: State training providers' student enrolments

Delivery and performance agreement profile hours of the 11 STPs for the last 5 years are tabulated below.

For more information see the section starting on page 17.

State training provider	2011	2012	2013	2014	2015
Central Institute of Technology	7,080,737	6,983,205	6,792,401	6,067,216	5,337,589
Challenger Institute of Technology	5,002,379	4,936,112	5,031,510	4,277,012	3,669,279
CY O'Connor Institute	621,404	627,058	625,187	595,803	545,522
Durack Institute of Technology	1,209,724	1,214,749	1,227,644	1,289,422	1,285,412
Goldfields Institute of Technology	Commenced July 2012	Not reported	545,051	533,636	672,235
Great Southern Institute of Technology	1,061,808	1,142,742	1,134,327	1,068,626	1,026,876
Kimberley Training Institute	703,519	715,685	744,968	742,512	731,745
Pilbara Institute	772,939	761,358	680,614	586,575	453,996
Polytechnic West	7,314,275	7,295,384	7,273,474	6,529,009	6,001,402
South West Institute of Technology	1,883,991	1,805,164	1,771,900	1,530,250	1,439,004
West Coast Institute of Training	2,331,249	2,302,147	2,340,953	2,114,001	1,968,568
Total DPA profile student curriculum hours	27,982,025	27,783,604	28,168,029	25,334,062	23,131,628

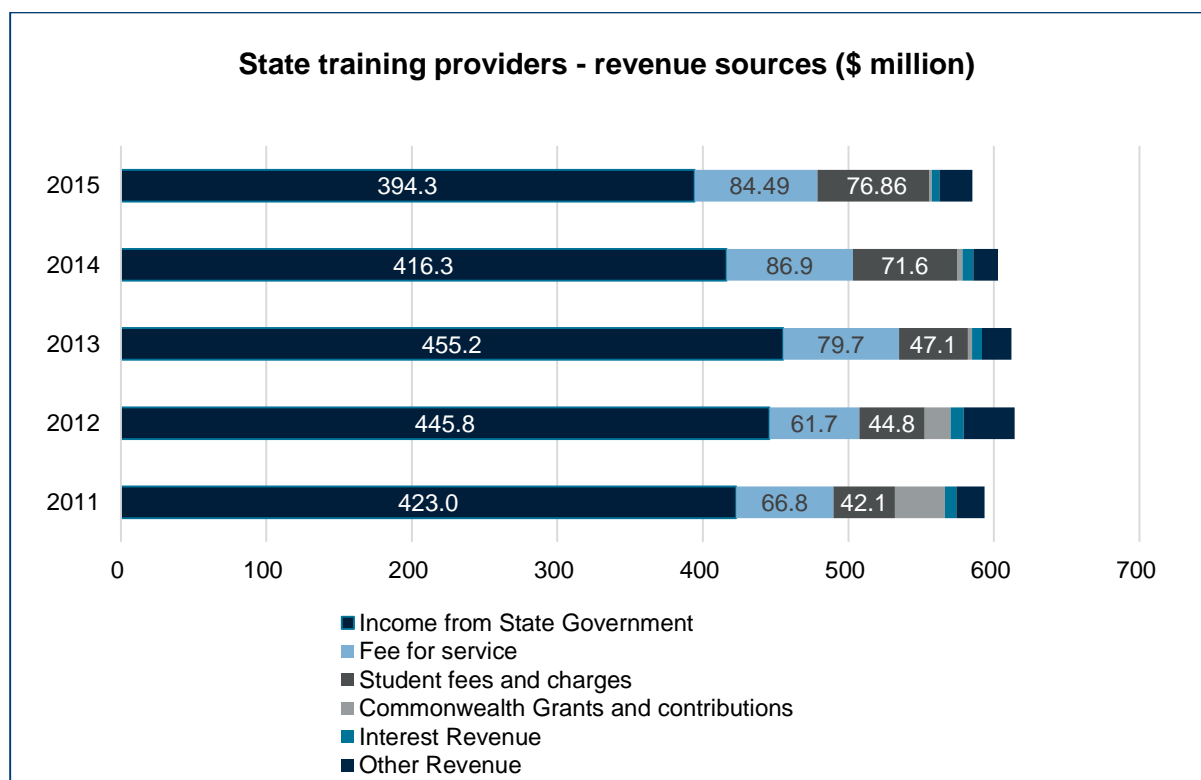
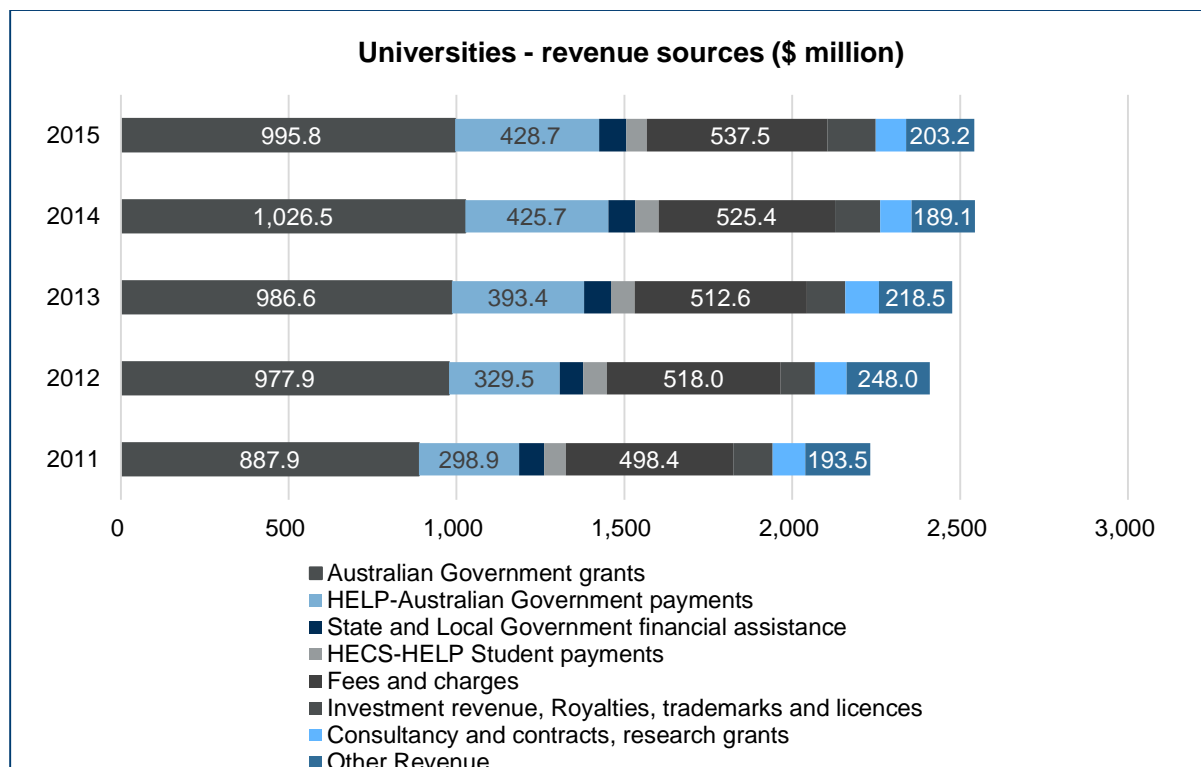
Source: Audited KPIs of state training providers

### Table of State training providers' delivery and performance agreement student curriculum hours for last 5 years

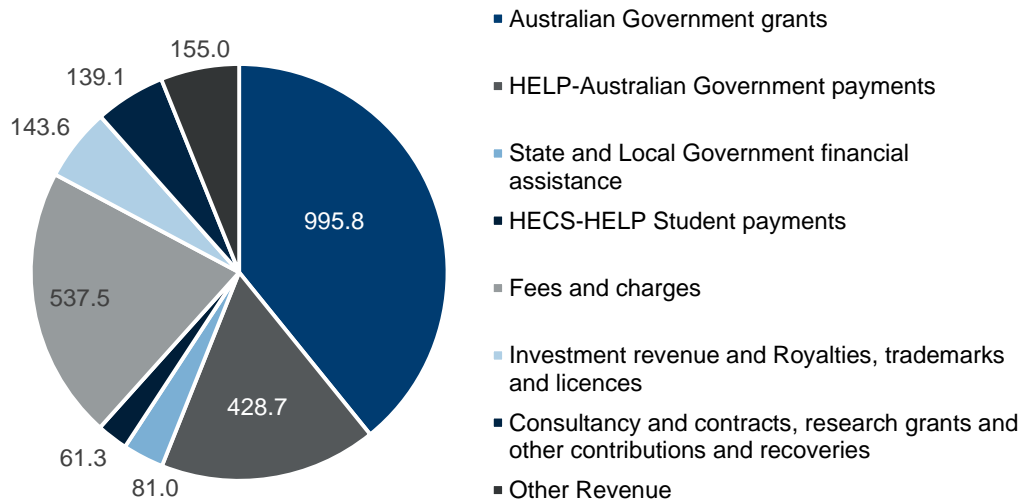
For further information on STPs, please refer to their individual tabled annual reports available on their websites or the Parliament of Western Australia website.

## Appendix 4: Universities' and state training providers' expenditure and sources of revenue

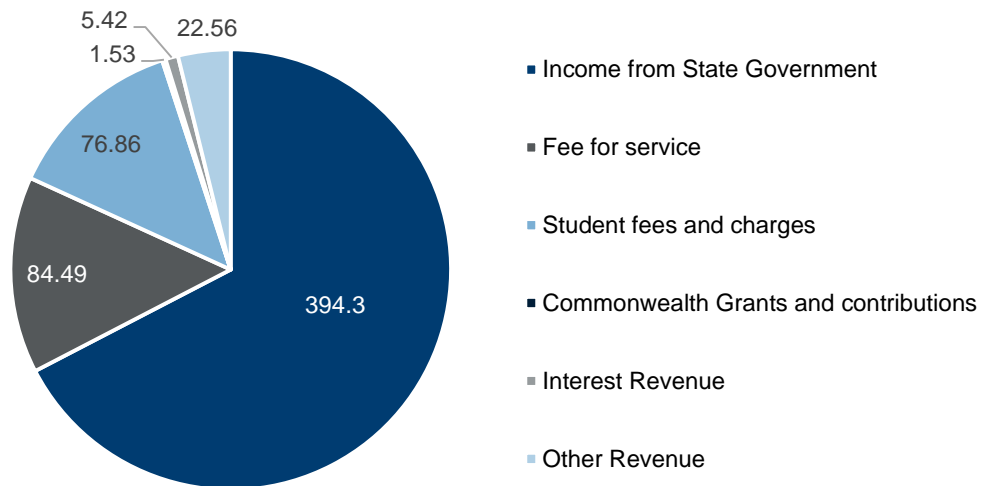
The following breakdown of revenue sources for the past 5 years and details of the main types of revenue and expenditure are provided for the information of Parliament.



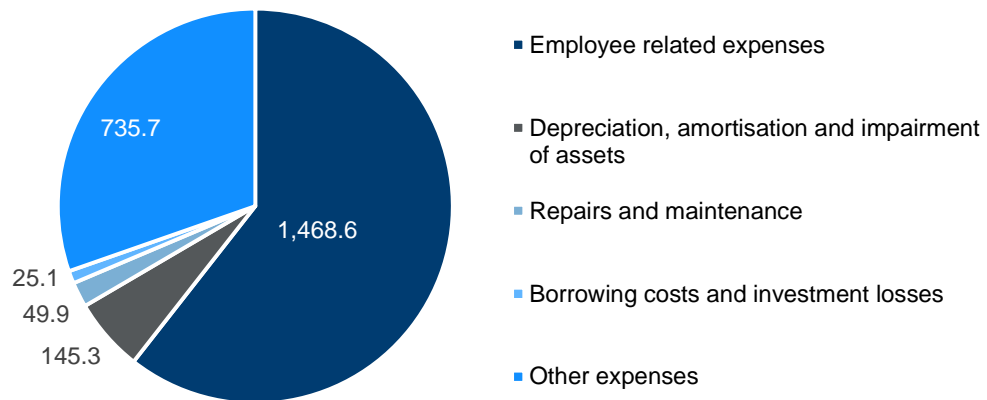
### Universities - 2015 revenue sources (\$ million)



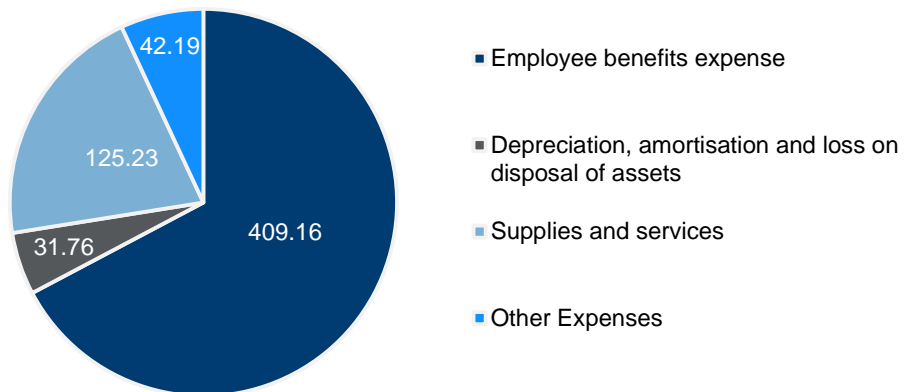
### State training providers - 2015 revenue sources (\$ million)



### Universities - 2015 expenses (\$ million)



### State training providers - 2015 expenses (\$ million)



## Glossary

Agency	Term used to describe clients audited by the Auditor General, including departments, statutory authorities, corporations, subsidiaries, cemetery boards and request audits.
AG Act	<i>Auditor General Act 2006</i>
Clear opinion (or unqualified opinion)	Auditor General's opinion expressed when an audit concludes that in all material respects the financial statements and KPIs are presented fairly in accordance with the enabling legislation of the agency, Australian Accounting Standards (including Australian Accounting Interpretations) and the Treasurer's Instructions.
DTWD	Department of Training and Workforce Development (Western Australian)
Financial audit	Work performed to enable an opinion to be expressed regarding a report about financial or performance matters prepared by the party who is accountable for the financial transactions or the performance summary.
FM Act	<i>Financial Management Act 2006</i>
IS	Information systems, primarily computerised systems
KPI	Key performance indicator – information about service performance or outcome achievement
Management letter	Letter to agency management that conveys significant audit findings and results of the audit. A copy is also sent to the responsible Minister.
Materiality	Magnitude of an omission or misstatement of accounting or performance information that, in the light of context or circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced.
Qualified opinion	Auditor General's opinion expressed when an audit identifies that the financial statements or KPIs are likely to be misleading to users, controls were inadequate, there was material conflict between applicable financial reporting frameworks or an unavoidable limitation on audit work.
Significance	Relative importance in the circumstances, in relation to audit objectives, of an item, event or information, or problem the auditor identifies.
STP	State training providers, renamed TAFE colleges
Treasurer's Instructions	Prescribed requirements at a minimum level with respect to financial administration that have the force of law and must be observed by public sector agencies under the FM Act.
VET	Vocational education and training

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## **Opinion on Ministerial Notification**

# Opinion on Ministerial Notification

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# Ministerial decision not to provide information to Parliament

## Introduction

This report deals with a decision by the Minister for Finance, the Hon Bill Marmion MLA not to provide information to Parliament about contacts between the Office of State Revenue and Alstom Ltd.

Section 82 of the *Financial Management Act 2006* (FM Act) requires a Minister who decides that it is reasonable and appropriate not to provide certain information to Parliament concerning the conduct of an agency, to give written notice of the decision to both Houses of Parliament and the Auditor General within 14 days of the decision.

Section 24 of the *Auditor General Act 2006* requires the Auditor General to provide an opinion to Parliament as to whether the Minister's decision was reasonable and appropriate.

## What did we do?

The Audit Practice Statement on our website ([www.audit.wa.gov.au](http://www.audit.wa.gov.au)) sets out the process we follow to arrive at our section 82 opinions, including:

- a review of agency documents
- a review of any advice provided to the relevant Minister by agencies, the State Solicitor's Office or other legal advisers
- interviews with key agency persons including discussions about our draft findings and the Auditor General's opinion.

Our procedures are designed to provide sufficient appropriate evidence to support an independent view to Parliament on the reasonableness and appropriateness of the Minister's decision not to provide information to Parliament.

We have not performed an audit, however our procedures follow the key principles in the Australian Auditing and Assurance Standards.

## Opinion

The decision by the Minister for Finance not to provide Parliament with information about contacts between the Office of State Revenue and Alstom Ltd and related entities and individuals, was reasonable and appropriate.

The information requested was: who was involved; how the contacts arose; and when they took place.

## Background

In Parliament on 10 November 2015, Mr WJ Johnston MLA asked the Minister for Finance for the following information about contacts with Alstom Ltd:

- (1) Has the Minister, any of his Ministerial staff, or any officers employed by a department, government trading enterprise or agency within the Minister's portfolio of responsibilities had contact with the business Alstom Ltd – or any subsidiaries such as Alstom Power Ltd – or any individuals represented that business?

(2) If yes to (1):

- a) who was involved in the contact;
- b) how did the contact arise; and
- c) when did the contact occur?

On 16 February 2016, the Minister said that neither he nor his current Ministerial staff had had any meetings between 1 July 2014 and 10 November 2015 with Alstom Ltd or any subsidiaries such as Alstom Power Ltd or any individuals representing that business. The Minister also said the Office of the Government Chief Information Officer had advised of no contacts with Alstom Ltd etc over the same period.

However, he said the Department of Finance had advised that:

- (1) The Office of State Revenue, in the course of administering the State's revenue laws, has contact with entities and individuals who have or may have a land tax, payroll tax or duties liability.
- (2) Section 114(1) of the *Taxation Administration Act 2003* specifically prevents the Commissioner of State Revenue from disclosing taxpayer information. Accordingly, any contact with taxpayers, including Alstom Ltd, any of its subsidiaries such as Alstom Power Ltd or any individuals represented by that business, cannot be disclosed

On 24 December 2015, the Minister notified the Auditor General of his decision not to provide the information requested in (2) for the Office of State Revenue, in accordance with section 82 of the FM Act.

## Key findings

The decision by the Minister not to provide the requested information for the Office of State Revenue was reasonable and appropriate.

The Minister properly sought advice from the Commissioner of State Revenue before responding to the request. The Commissioner recommended he decline to provide the information requested in (2) because it was confidential taxpayer information that she could not disclose because of her duty of confidentiality under section 114(1) of the *Taxation Administration Act 2003*.

The Commissioner's recommendation was based on a formal documented assessment by the Office of State Revenue. The assessment, supported by earlier legal advice on a similar matter determined that:

- The requested information was taxpayer information.
- Such information was subject to the requirements of section 114 of the Taxation Administration Act . That section says certain people, including the Commissioner, must not disclose or make use of information or material obtained under a taxation Act.
- None of the exceptions listed in section 114 applied on the facts of this matter.

We considered the approach the Office of State Revenue took was reasonable.

As noted in previous opinions about taxpayer information<sup>2</sup>, our research shows it is quite common for taxation legislation to include specific confidentiality obligations with limited exceptions. Such an approach reflects the need to protect taxpayer interests while also protecting government information and allowing for efficient administration of taxation legislation.

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<sup>2</sup> Opinions on Ministerial Notifications, Report 21, October 8, 2015, pp5-6.

## Auditor General's Reports

Report No.	Reports 2016	Date Tabled
4	Land Asset Sales Program	6 April 2016
3	Management of Government Concessions	16 March 2016
2	Consumable Stock Management in Hospitals	24 February 2016
1	Health Department's Procurement and Management of its Centralised Computing Services Contract	17 February 2016

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