

OAG
Office of the Auditor General
Serving the Public Interest

Annual Report

2015-2016





THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2016

In accordance with section 63, as modified by Schedule 3, of the *Financial Management Act 2006*, I hereby submit to Parliament for its information the Annual Report of the Office of the Auditor General for the year ended 30 June 2016.

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

COLIN MURPHY
AUDITOR GENERAL
16 August 2016

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for Western Australia**

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(to assist people with hearing and voice impairment)

On request, we can deliver this report in an alternative format.

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About our report

Welcome to our 2015-16 Annual Report, which provides a comprehensive look at our performance and the services we have delivered during the year to inform Parliament on public sector accountability and performance.

Our report is not a report on the results of audits conducted, as this information is tabled separately in Parliament. Rather, it describes the functions and operations of the Office of the Auditor General and presents the audited financial statements and performance indicators for the Office for the year ended 30 June 2016.

The aim is to inform the reader of who we are and what we do as well as providing information about our specific activities, highlights and challenges for the 2015-16 financial year.

This and earlier annual reports are available on our website at www.audit.wa.gov.au.

Feedback

We welcome your feedback and comments about this annual report so we can improve the value of future reports to our readers.

You can contact us by:

- completing a survey online (www.audit.wa.gov.au)
- sending an email (info@audit.wa.gov.au)
- writing to us (PO Box 8489, PERTH WA 6849)

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About us

The **Auditor General** is a statutory officer with responsibility for auditing the Western Australian public sector. The Auditor General is an independent officer of Parliament and is supported by an Office that is a public sector department. The Auditor General and the Office report directly to Parliament not a government Minister (Figure 1). Three parliamentary committees, Public Accounts Committee, Estimates and Financial Operations Committee and Joint Standing Committee on Audit, have particular oversight of our operations.

The Auditor General is responsible for:

- auditing the Annual Report on State Finances
- conducting and issuing audit opinions on financial statements, controls and key performance indicators for departments, statutory authorities, tertiary institutions and on financial statements of corporatised entities
- issuing audit certifications
- conducting performance audits of the efficiency and effectiveness of agency operations as well as compliance audits of legislation and policies, information systems audits and special investigations
- reporting the results of audits to Parliament in an objective, competent and timely manner.

The Auditor General has complete discretion in the performance of his functions. This independence and freedom from pressure, influence or interference is the cornerstone of public sector audit.

Mr **Colin Murphy**, was appointed Auditor General for a non-renewable term of 10 years in June 2007 by the Governor, in accordance with the *Auditor General Act 2006*.

The **Office of the Auditor General** is one of the largest audit practices in Western Australia. Our role is to serve the public interest by providing Parliament with independent and impartial information about public sector accountability and performance.

In the past 12 months we completed financial audits of over 190 entities that had combined assets of over \$218 billion. In addition to our financial audits, we also assess the efficiency and effectiveness of public sector agencies and programs through performance audits. Each year we aim to conduct and report on more than 25 performance audits.

We achieve this with a budget of \$23,986,000 and just over 135 people. Our people come with a range of qualifications and experiences, including commerce, economics, law, history, psychology, environmental science, human resources and information technology. We are very proud of this diversity because it strengthens our capacity and culture.

We deal with agencies employing over 138,440 people, that provide hugely diverse public services, including education, health, community services, justice, energy, natural resource management and economic development.



Figure 1: Office reporting structure to Parliament

Our history

The origins of the Office of the Auditor General for Western Australia go back to the first months of settlement of the Swan River colony in 1829.

Captain James Stirling, the Colony's first Governor, commanded that the Office of the Commissioners of the Board of Counsel and Audit be opened 'for the despatch of business' on 12 August 1829.

Captain Mark Currie, was appointed as the Swan River Colony's first Auditor on 1 July 1831. Western Australia has had 18 Auditors General, who are listed in Appendix 4.

Our vision

Serving the public interest by an informed Parliament.

Our mission

To help improve public sector performance and accountability by reporting independently to Parliament.

Our values

We are committed to our values of:

Integrity – we conduct our business in an independent, professional and ethical manner. We apply an open, honest and fair approach to our stakeholders.

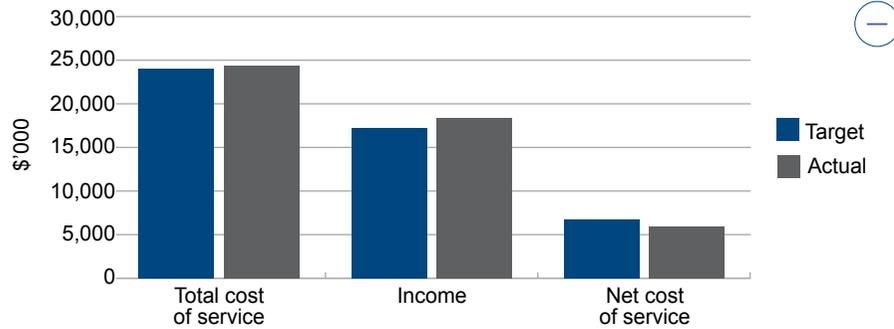
Quality – we provide credible work that makes a difference. We take pride in our work and strive to deliver above expectations, using continuous improvement opportunities to improve our efficiency and effectiveness.

Respect – we value the contribution of our people, our clients and the community, and encourage a collaborative approach to our work.

Our strategic plan ensures our efforts are focused on achieving our goals (page 14). Our framework identifies four result areas – where we have established clear accountabilities and outcomes against which we can measure our performance and progress to achieving our goals. Our four result areas are Our People (page 47), Our Tools, Our Approach and Our Products (page 20).

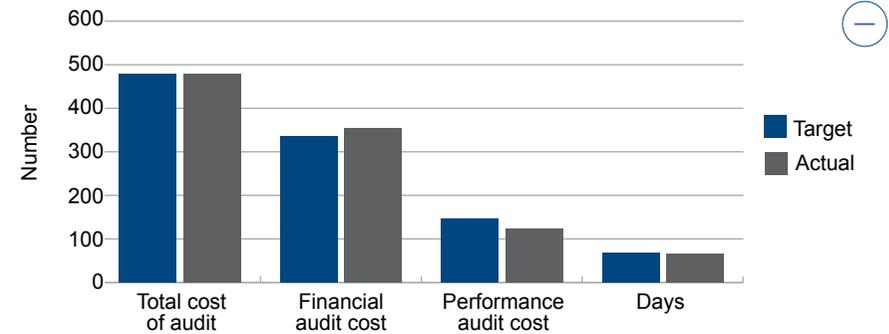
Our performance at a glance

2015-16 financial performance compared to target



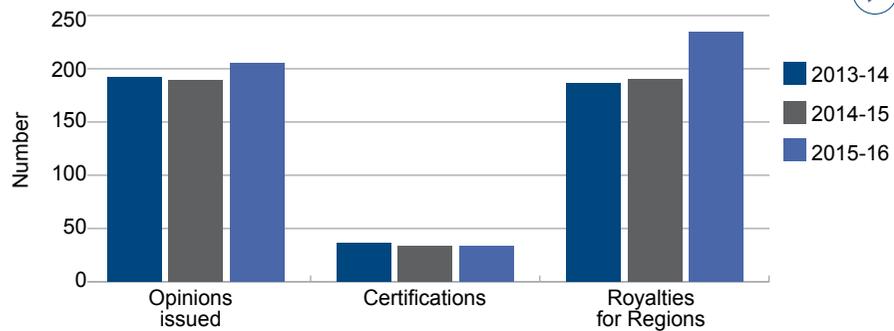
Refer page 68 for full financial information

2015-16 efficiency and effectiveness performance compared to target



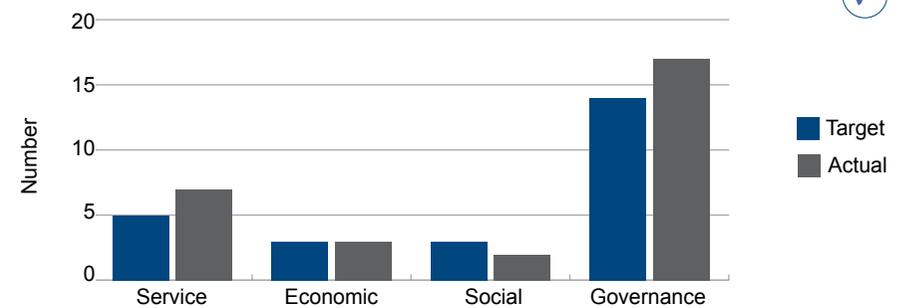
Refer page 96 for full key performance indicator information

Financial auditing three year trend



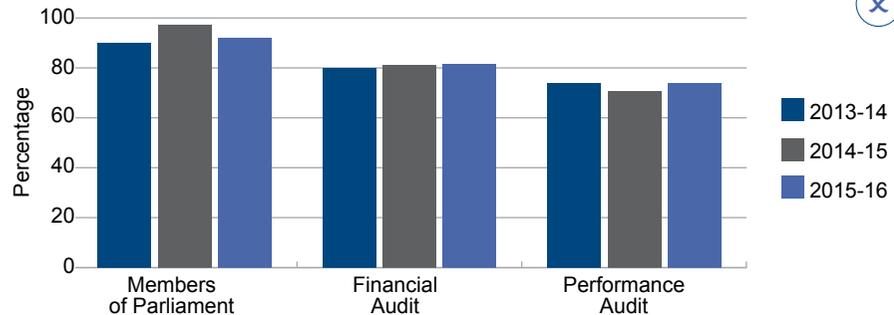
Refer page 20 for information on financial audit work delivered during 2015-16

2015-16 performance auditing compared to target



Refer page 19 for number of reports tabled against each category

Client feedback three year trend



Refer page 24 for overall satisfaction ratings

Legend	
	target not met
	target exceeded
	target met

Highlights 2015-16

Early delivery of audit opinions

We were able to deliver 47% of our audit opinions to agencies earlier than last year (page 20) and in less time than the previous four years (page 97). We also introduced electronic delivery of opinions and associated documents.

Exceeded our performance report target

This year we tabled 29 reports in Parliament, exceeding our target of 25. This is the most reports we have ever tabled in a year. For summaries of the reports tabled this year refer to page 30.

Engaged performance audit clients

This year we had a 93% response rate for our annual performance audit client survey, the highest we have ever achieved for a client survey (page 27).

Making a difference – ongoing impact of our reports

We continue to see our reports informing, influencing or directly resulting in positive changes to public sector accountability and performance (page 29).

Effectively responding to increasing audit expectations

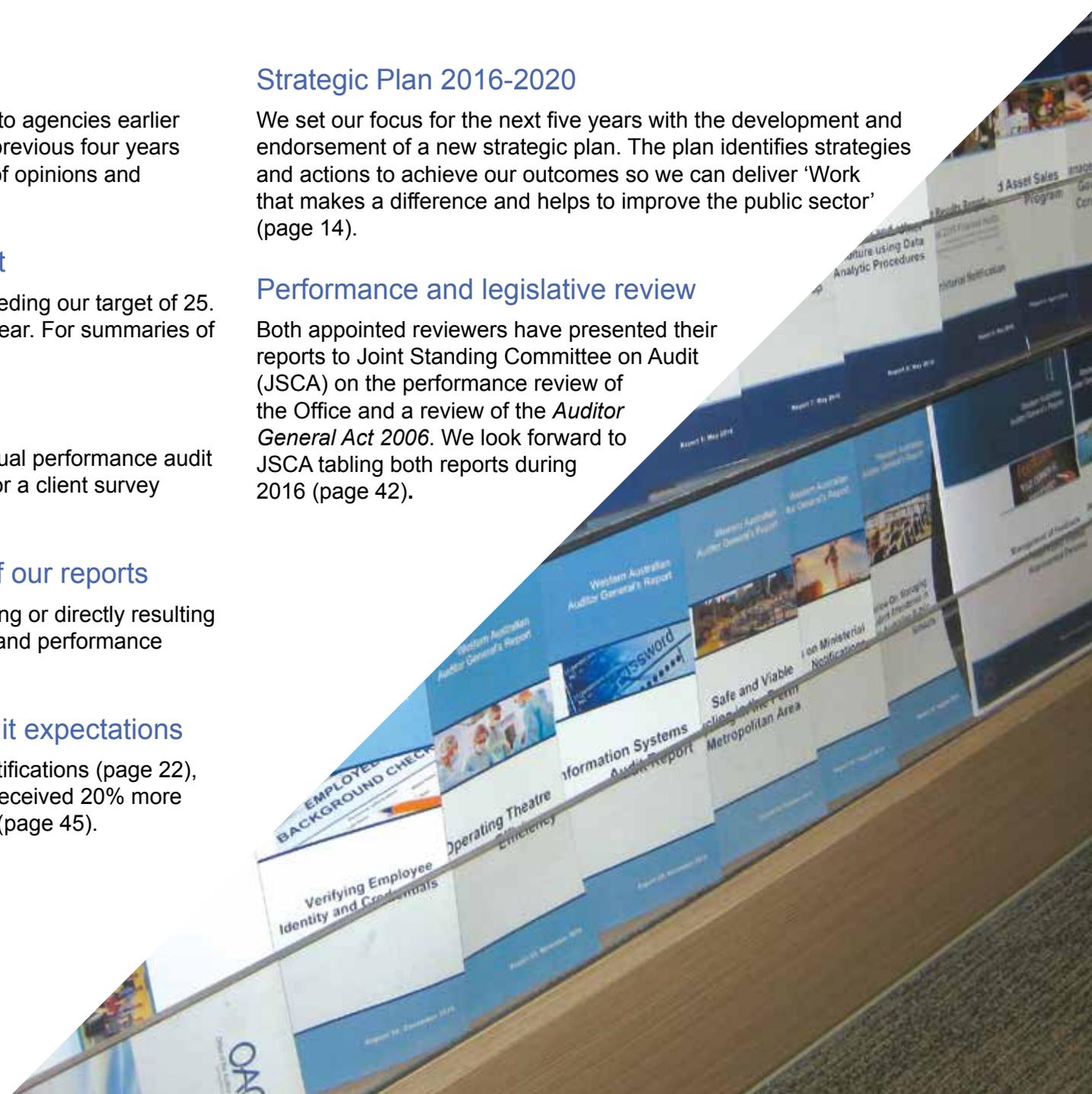
This year we issued 234 Royalties for Regions certifications (page 22), which is an 80% increase from 2012-13. We also received 20% more referrals and enquiries to our Office than last year (page 45).

Strategic Plan 2016-2020

We set our focus for the next five years with the development and endorsement of a new strategic plan. The plan identifies strategies and actions to achieve our outcomes so we can deliver 'Work that makes a difference and helps to improve the public sector' (page 14).

Performance and legislative review

Both appointed reviewers have presented their reports to Joint Standing Committee on Audit (JSCA) on the performance review of the Office and a review of the *Auditor General Act 2006*. We look forward to JSCA tabling both reports during 2016 (page 42).



From the Auditor General

I take pleasure in presenting the annual report for the Office of the Auditor General.

My Office has the privilege of auditing the Western Australian public sector – a corpus comprising multiple and varied entities, expenditure exceeding \$48 billion, assets exceeding \$218 billion and more than 138,400 staff. Each year we are challenged by changes to legislation, structures, operations, systems and more. The 2015-16 financial year was no different and I am very proud to say that my Office of about 135 staff responded as I would expect – professionally.

This year we tabled a record 29 audit reports across our four key category areas of governance, service delivery, social and environment and economic development. Our annual target is 25 reports. The reports contained over 115 key recommendations for improving efficiency, effectiveness and transparency. This year we tabled a number of reports in the later part of the year, a pattern that has occurred over the last few years. This is not ideal and I would prefer to see a better balance across the year. We are working towards avoiding such bottlenecks and I look forward to reporting progress on this next year.

But while the reports are the most visible signs of effort and how Parliament, media and the public will mostly judge our impact, the reality is that most of our effort and effectiveness has little visibility. Our true effort and that which has the most impact on agency performance and transparency are the thousands of conversations and consultations my staff have with agencies each year. An internal KPI which I value highly is a satisfaction survey of our agency clients and this year again our ratings were extremely positive (page 26).

Legislative developments

During the year, Vista Advisory on behalf of Parliament's Joint Standing Committee of Audit (JSCA) completed a review of the performance of the Office and submitted their report to the JSCA. Also during the year, HWL Ebsworth Lawyers on behalf of the JSCA completed a review of the operation and effectiveness of the *Auditor General Act 2006* (the Act).

Both reviews are a requirement of the Act. We understand that the JSCA plans to table its report on the two reviews in this calendar year. I look forward to receiving the JSCA's report and to acquitting the recommendations directed at the Office.

In August 2015, the State Government announced that it intended to amend legislation to make the Auditor General the auditor of local governments. If the legislation is changed, it will bring WA into line with other Australian states.

This is one of the biggest changes we have faced since our establishment in 1829. Audit responsibility will expand by 80% to nearly 340 entities.

Following, the announcement the Department of Local Government and Communities has sought our advice on the required changes to the amending Bill. However, our discussions with local government and other key stakeholders has to this point been limited as I am extremely conscious that the final decision rests with Parliament.

The change, if it eventuates will present many challenges. Upscaling our processes without affecting the efficiency, quality or coverage of our current audit list will be a priority. Equal priority will be ensuring that audits of local governments deliver on the expectations of Parliament. Our preparations have begun and we are confident that if the legislation passes through Parliament, we will be ready.

Internal developments

A willingness to internally review, change and modernise is a necessary attitude for all organisations but especially for an audit organisation that challenges other agencies on these matters on a daily basis.

Our internal and external quality assurance reviews led to a number of significant changes in our practices during the year. They include:

- Publishing our 12-month forward audit program on our website so that, Parliament, agencies and the public can be aware of not just the work we are currently doing but also what we are planning. We have also included a 'Have Your Say' button on our website to encourage people to contribute to our audit work.
- Appointment of an independent chair to our Audit and Risk Management Committee. Professor David Gilchrist of Curtin University has been appointed to provide an independent perspective and challenge risk and quality assurance matters affecting the Office.
- Commenced the electronic delivery of audit opinions and associated documents to Minister's offices and to agencies beginning with our 31 December 2015 audits. The change provides a timelier, economical and efficient transmittal process and we are the first audit office in Australia to use such a process.

This year we endorsed our Strategic Plan 2016-2020. A comprehensive plan that provides us with the focus to deliver on our outcome of 'Work that makes a difference and helps to improve the public sector'. The strength of the plan lies in the involvement of the whole Office in its development and this will continue through implementation and ongoing review. Further information is contained on page 14.

Acknowledgements

A number of professional relationships contribute to the success of my Office. I would like to thank my colleagues from the Australasian Council of Auditors-General for the valued information sharing, support and collaboration opportunities.

Also to my colleagues from the other accountability agencies that make up the Integrity Coordinating Group – the Public Sector Commissioner, the Western Australian Ombudsman, the Information Commissioner and the Commissioner of the Corruption and Crime Commission. I recognise and value our strong working relationship.

I also thank the Parliament of Western Australia and in particular, the Public Accounts Committee, the Estimates and Financial Operations Committee and the Joint Standing Committee on Audit for their continued support throughout the year.

Finally, I wish to acknowledge the hard work, professionalism and dedication of my staff. The quality work we produce does make a difference and I am proud of our achievements over the last year. I look forward to tackling the challenges of 2016-17.



COLIN MURPHY
AUDITOR GENERAL
16 August 2016



Significant issues for the next financial year

Strive for efficiencies while delivering audit mandate

The Office's legislative obligation to undertake audits of the public sector will challenge its capacity to stay within our approved salaries budget over the forward estimates. However, the Office is cognisant of the state's overall economic environment and associated fiscal challenges. Accordingly, we are making serious and concerted efforts to achieve the target, in addition to identifying opportunities to reduce other costs.

Number of ministerial notifications

There is a significant number of ministerial notifications referred to our Office (page 24). Under legislation, the Auditor General is required to express an opinion as to whether it is reasonable and appropriate for a Minister not to provide information to Parliament. While we do manage our resources to accommodate this work, it is difficult to anticipate when and how many of these notifications will come to us and the scale of the work involved. This can affect our resourcing and delivery of other audit work.

Accounting and auditing standards

Changes to accounting and auditing standards continue to affect the Office's business environment. These changes add to the complexity of audit tasks across the Office and directly affect the level of work conducted by audit staff.

Expansion of mandate – local government

The government has approved the drafting of amendments to the *Local Government Act 1995* to make the Auditor General responsible for financial and performance audits of the state's 139 local governments. In the coming months we expect to work closely with the Department of Local Government and Communities as well as local governments to ensure we are ready for the new role – if it goes ahead.

Access to Cabinet documents and legal professional privilege

The *Auditor General Act 2006* is still relatively contemporary audit legislation but it does have some deficiencies that are impacting the efficiency and effectiveness of our audits. In particular, access constraints to documents protected by Cabinet-in-confidence or legal professional privilege. The ability to gather sufficient and appropriate evidence is a fundamental audit requirement and in worst case scenarios can prevent the issuing of an audit opinion.

Restructure of the Health sector

With the restructure of the Health sector from 1 July 2016 six statutory authorities will be established, which will have a significant impact on audit activities. Although most of these authorities have previously operated under different organisational structures, substantial effort is required to evaluate the controls and data of the new agencies, and to audit the additional financial statements, controls and key performance indicators.



Our Office

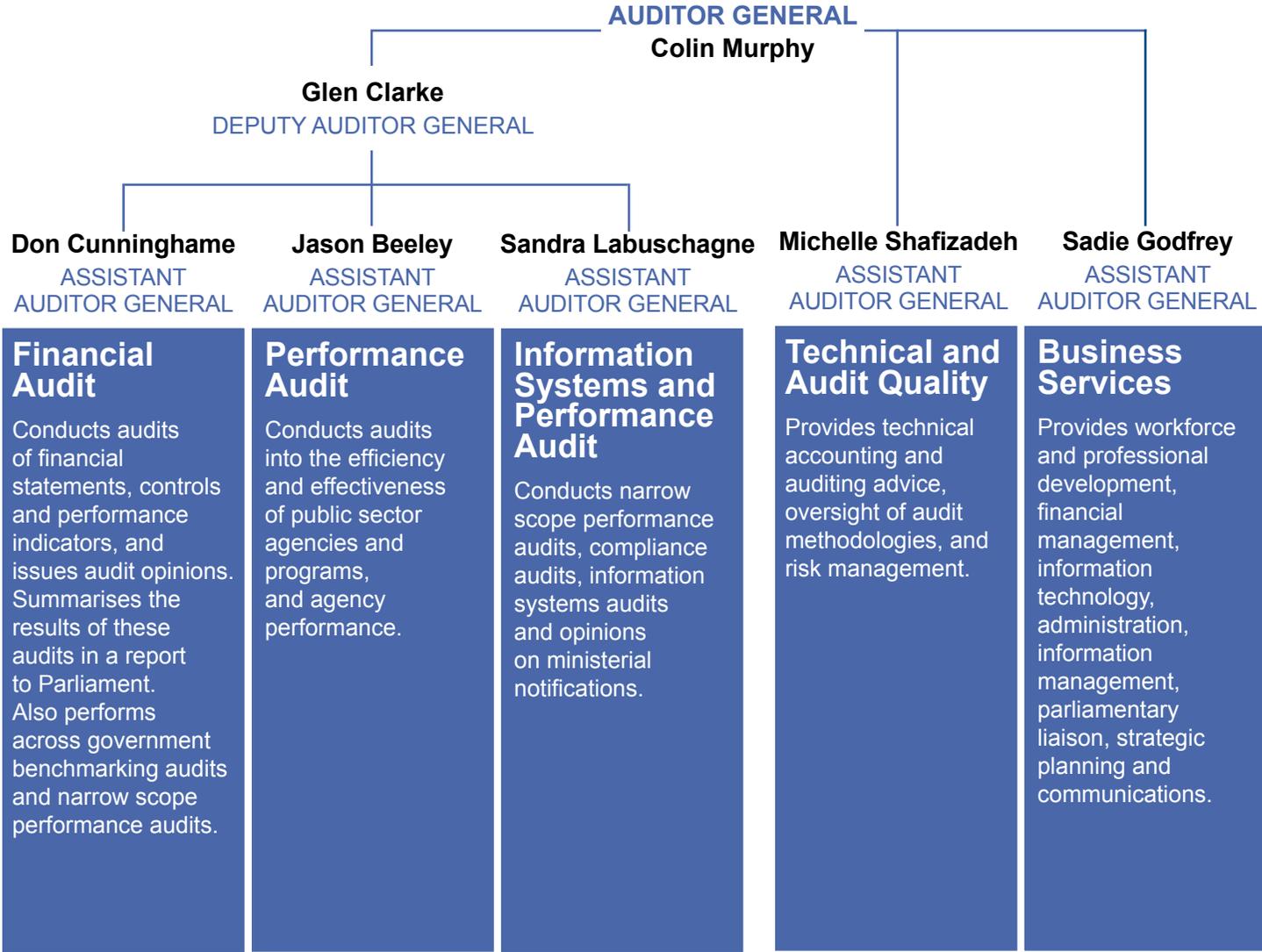
The purpose of the Office of the Auditor General is to support the Auditor General.

The Office is a department of the public service and the Auditor General is the chief executive officer and employer of its staff. Currently, the Office has 136 employees, about half of whom are financial auditors. Our annual financial audits are the largest activity undertaken in the Office (page 20). Performance auditors and information systems auditors make up another 20% of total employees with the rest being corporate and technical support.

The Office comprises three operational and two non-operational business units. The operational business units report to the Deputy Auditor General and develop our key products, which include the audits of agencies that culminate in reports to Parliament (page 31). The two non-operational units report directly to the Auditor General and provide corporate, technical and audit quality support.

Organisational structure

The Office of the Auditor General has five business units.



Auditor General Colin Murphy
BCom, FCPA, FCA, FGIA, PSM

Colin Murphy was appointed Auditor General for Western Australia in June 2007. Colin has extensive experience in finance and administration in state and Commonwealth government roles. He has held senior positions within the state government in the Departments of Justice, Treasury and Finance, Land Administration and the Building Management Authority. He has also worked for the Commonwealth Department of Finance in Perth and Washington DC and as Business Manager for Murdoch University. Colin is a member of the Australian Auditing and Assurance Standards Board. He is a Fellow, former Board member and past State President of CPA Australia and a Fellow of the Governance Institute of Australia and the Chartered Accountants Australia and New Zealand. Colin was awarded the Public Service Medal in the 2010 Australia Day Honours and in 2013 was presented with the WA Institute of Public Administration Patrons Award for significant contribution to the state and public sector.

Senior officers



Glen Clarke

BBus, FCPA

As Deputy Auditor General, Glen is responsible for the three operational audit business units of the Office and has worked extensively in all three. He has previously held a senior position in the Commonwealth Department of Veteran's Affairs and is currently the Deputy Chairman of Bizlink, a not-for-profit organisation that assists people with disabilities to obtain open employment.



Don Cunninghame

BCom, FCPA, CISA

Don joined the Office in 1992 after an information systems audit career mainly in the internal audit divisions of large insurance companies. Don has worked in our information systems audit branch, headed our corporate services division, was our chief finance officer and was a director of financial audit before being appointed to head our financial audit in 2008.



Jason Beeley

BA Hons (Oxon),
Dip Strategic Studies

Jason joined the Office in 2006, following five years as a commercial and general manager in the defence and technology sectors. He previously worked with the UK National Audit Office conducting and managing value for money studies, mainly of the Ministry of Defence. He was appointed Assistant Auditor General in 2009.



Sandra Labuschagne

BCompt, Hons BCompt
CA (SA)

Sandra joined the Office in 2012 and became Assistant Auditor General in 2014. She has extensive public and private sector auditing experience in South Africa, New Zealand and Australia.



Michelle Shafizadeh

BBus, FCA, FCPA,
Registered Company Auditor

Michelle joined the Office in 2010 and became Assistant Auditor General in 2011. She is a Fellow of the Chartered Accountants Australia, and New Zealand, a Fellow of CPA, Registered Company Auditor and a Member of the Institute of Public Administration Australia. Prior to joining the Office, Michelle was the National Assurance Services Technical Director for William Buck Chartered Accountants and before that the Perth Assurance Services Partner for BDO Chartered Accountants.



Sadie Godfrey

MBA (Curtin), Assoc Dip
Bus (Accounting)

Sadie has diverse and extensive experience in corporate management, working in the areas of education and industrial relations. She was previously Director of Corporate Services at the Department of the Registrar, Western Australian Industrial Relations Commission before joining the Office as Assistant Auditor General in 2008.

Our strategic direction

This year we developed our strategic plan for the next five years involving all staff through workshops, branch strategic planning days, office forums and feedback opportunities. The Executive Management Group endorsed the plan in February 2016.

Our strategic plan includes clear strategies and actions to achieve specific outcomes in each of our four key areas: Our People, Our Tools, Our Approach and Our Products. These outcomes are outlined in Appendix 1.

Our strategic plan is reflected in all our business operations and the outcomes, strategies and actions of the plan are cross-referenced where relevant to other key corporate documents: the operational plans of our business units, Workforce Development Plan, Information Technology Plan and Communication Plan. The relationship between our strategic plan and corporate documents is illustrated in Figure 3.

As part of the development process we reviewed our Workforce Development, Information Technology and Communication plans so they would span the period of our strategic plan and align with the actions and initiatives.

The Executive Management Group will receive reports throughout the year on progress towards the identified strategies and initiatives. This allows us to measure our performance and to assess and adjust our strategies to ensure that we meet the overall direction of the Office.



Figure 2: Our Strategic Plan 2016-2020

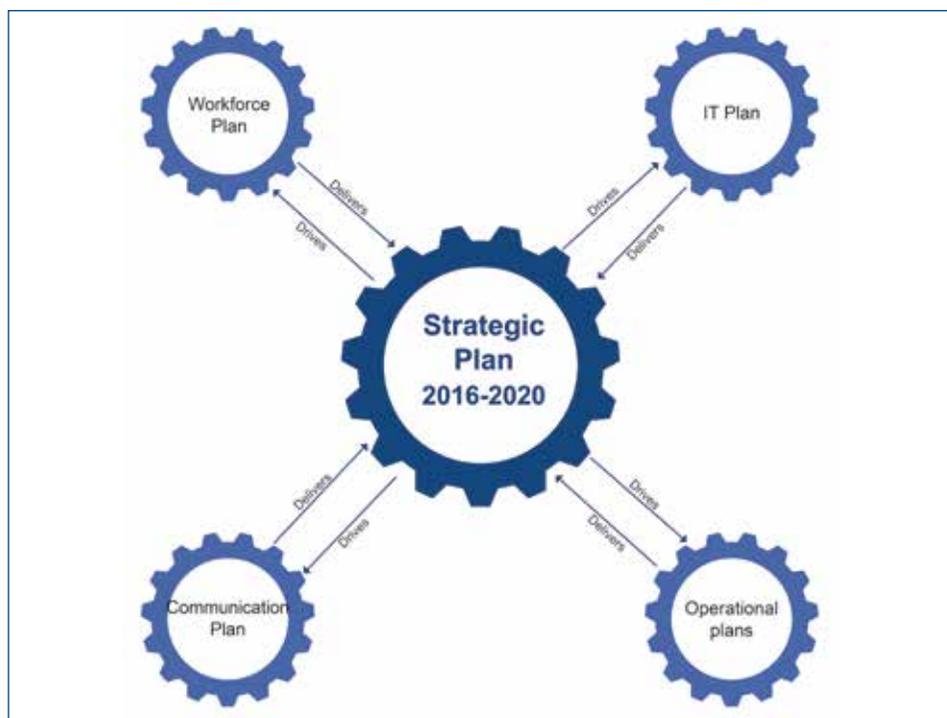


Figure 3: Strategic plan relationship with corporate documents

Enabling legislation

The Governor appoints the Auditor General under the *Auditor General Act 2006*. The Office of the Auditor General is a department of the public service under the *Public Sector Management Act 1994*.

As the Accountable Authority, the Auditor General must discharge responsibilities under the *Financial Management Act 2006*.

Key legislation for the Office

We have processes and controls in place to ensure that we comply with all state and Commonwealth legislation and regulations that affect our activities, including laws affecting agencies and activities subject to audit by the Auditor General. The following laws have a direct impact on the operations of our Office:

- *Auditor General Act 2006*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Workers' Compensation and Injury Management Act 1981*.

Performance management framework

The Office exists to serve the public interest by providing Parliament with independent and impartial information regarding public sector accountability and performance. Our outcome and service reflects this:

Desired outcome	
An informed Parliament on public sector accountability and performance	
Service provided	
Public sector auditing	
Key effectiveness indicator	Key efficiency indicator
<p>The extent that the Office is effective in informing Parliament about public sector accountability and performance is measured by the number of tabled reports compared to target for each of the following categories of audit matter:</p> <ul style="list-style-type: none"> • service delivery • economic development • social and environment • governance. 	<p>The Office is responsible for undertaking the external audit of the Western Australian public sector. This is done through audits of controls, financial statements, performance indicators, efficiency, effectiveness and the tabling of reports to Parliament. Efficiency is measured by the</p> <ul style="list-style-type: none"> • audit cost per dollar million of gross government expenditure • days taken to issue financial audit opinions.

Figure 4: Performance management framework

Our performance against our established effectiveness and efficiency measures is discussed on page 96.

Our outcome is achieved through the reports we table on audit matters, which examine agency performance with regard to the five government desired outcomes and services:

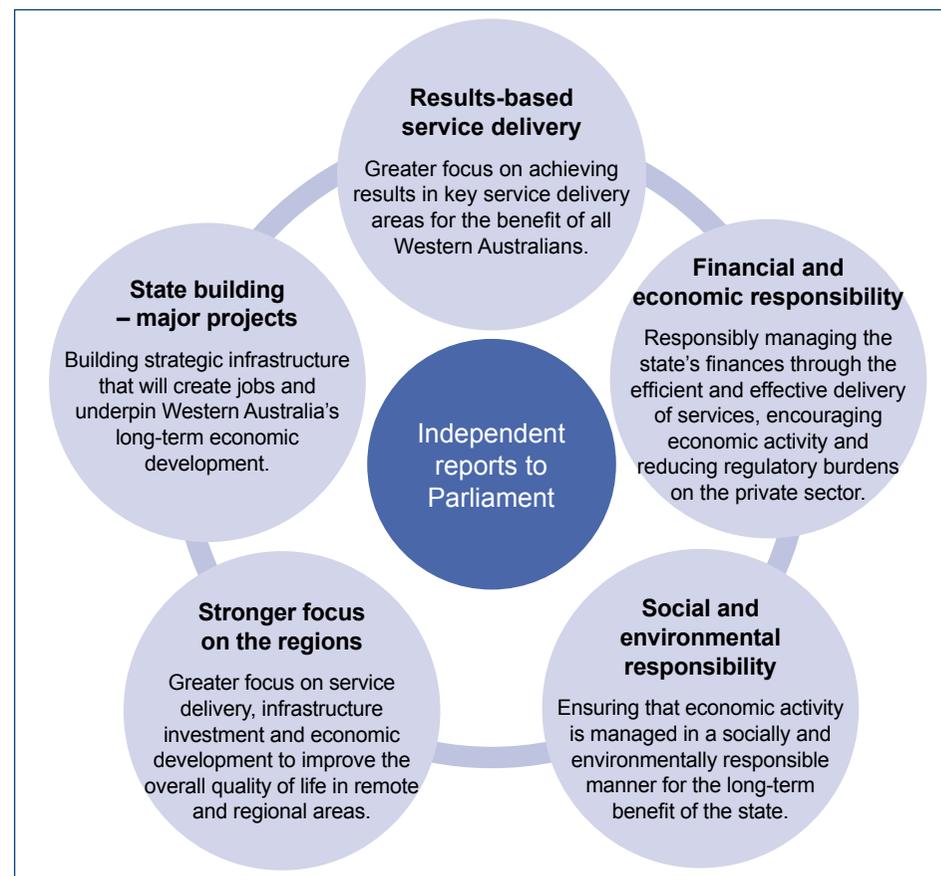
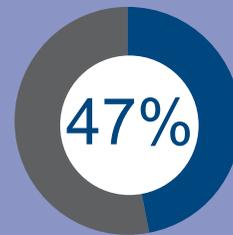


Figure 5: Office of the Auditor General relationship to government goals



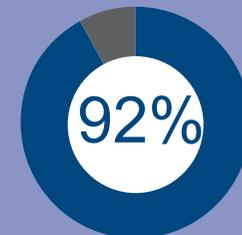
Our Performance



Our audit opinions were delivered earlier than last year (page 20)



We exceeded our target of 25 reports (page 19)



Our overall satisfaction rating from Members of Parliament for reports and services (page 25)

Financial performance

Full details of our financial performance is presented in our financial statements section of this report (page 63). The following summarises financial performance trends and actual versus target for 2015-16.

	2011-12 Actual \$'000*	2012-13 Actual \$'000	2013-14 Actual \$'000	2014-15 Actual \$'000	2015-16 Actual \$'000	2015-16 Target \$'000	Variation \$'000	Status
Total cost of services (sourced from Statement of Comprehensive Income)	21,875	22,499	23,379	24,703	24,331	23,986	345	⊗
Total income other than income from State Government (sourced from Statement of Comprehensive Income)	16,067	15,489	16,813	17,362	18,346	17,260	1,086	✓
Net cost of services (sourced from Statement of Comprehensive Income)	5,808	7,010	6,566	7,341	5,985	6,726	(741)	✓
Total equity (sourced from Statement of Financial Position)	7,454	8,439	9,494	9,863	11,743	11,395	348	✓
Net increase/(decrease) in cash and cash equivalents held (sourced from Statement of Cash Flows)	(438)	851	(99)	916	813	(435)	1,248	✓
Number of approved full-time equivalent (FTE) staff level	121	124	127	134	132	132	–	⊖

Table 1: Summary of financial trends

* Note: We have reclassified the total cost of services and total income other than income from State Government comparative figures to be comparable with figures presented in the current financial year.

The legislative requirement to conduct financial audits means that non-discretionary components of the Office budget accounts for the vast majority of expenditure. The two largest expenditure items are salary and audit contractor expenses. The third largest expense item, which is also non-discretionary is office accommodation, with our location and rent determined by government.

Employee expenses account for the increased total cost of services over target. Additional financial audit work required at some agencies as well as fees for the additional audits required for the winding up of training institutes contributed to the variance above target for total income. These factors combined to account for the variance in net increase in cash.

Further explanations are contained in note 25 'Explanatory statement' to the financial statements on page 85 of this report.

Key performance indicators

Effectiveness

The Office's effectiveness indicator shows the extent to which we have informed Parliament about public sector accountability and performance, against four specified categories. Full details of the categories and our performance over the last five years is available on page 96.

Report type	2015-16 Actual	2015-16 Target	Status
Service delivery	7	5	✓
Economic development	3	3	–
Social and environment	2	3	✗
Governance	17	14	✓
Total	29	25	✓

Table 2: Summary of effectiveness indicator

Efficiency

The Office's key efficiency indicators measure the overall efficiency in delivering our service of 'public sector auditing'. Full details and our key efficiency indicators over the last five years are available on page 97.

Efficiency indicator	2015-16 Actual	2015-16 Target	Status
Total audit cost per million dollars of gross government expenditure	\$479	\$478	–
Attest (financial) audit cost per million dollars of gross government expenditure	\$354	\$335	✗
Performance audit cost per million dollars of gross government expenditure	\$125	\$143	✓
Average number of days taken after balance date to issue financial audit opinions	66.2 days	70.0 days	✓

Table 3: Summary of efficiency indicators

Additional indicators of our performance

The indicators set out in table 4 and 5 are not audited, they are included because they are important in understanding the Office's operational performance. We met our target in all reporting areas.

Parliamentary reports	2015-16 Actual	2015-16 Target	Status
Matters of significance to Parliament	256	n/a	–
Broad scope and follow-up performance audit reports	10	9	✓
Narrow scope performance audits	13	11	✓
Across government benchmarking audits	4	3	✓
Annual financial audits	2	2	–

Table 4: Parliamentary reports by audit type

The following indicators also demonstrate our ongoing performance in meeting our outcome of 'Work that makes a difference and helps to improve the public sector':

Measure	Further information
Members of Parliament survey	Page 25
Client agency surveys	Page 26
Top 10 web downloads of our audit reports	Page 30
Internal, external and peer reviews	Page 58

Table 5: Other indicators that measure our performance

Financial auditing

Introduction

Financial auditing provides independent assurance to Parliament that the agencies' financial statements are presented in accordance with Treasurer's Instructions, Australian Accounting Standards and other mandatory professional reporting requirements and:

- are based on proper accounts
- present fairly the operating results and cash flows for the period under review
- present fairly the financial position at the end of the financial reporting period.

The audit of most agencies also includes assurance that the controls exercised by the agency are sufficient to provide reasonable assurance that the receipt, expenditure, and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions.

Audit opinions

Agencies that operate under the *Financial Management Act 2006* (the majority of public sector agencies) receive three opinions from the Auditor General:

- an opinion on the financial statements of the agency
- an opinion regarding the financial controls in the agency
- an opinion regarding the key performance indicators of the agency and whether they are fairly presented, relevant and appropriate.

These agencies are required under the Act to have their annual reports tabled within 90 days of financial year end.

Agencies operating under other legislation receive an opinion on their financial statements with a small number also receiving an opinion on controls.

Timeliness

We aim to deliver all audit opinions in time for an agency to table its annual report within 90 days of financial year end. As shown in Table 6, we consistently achieve between 99 and 100% for this measure, with delays caused by an agency not being prepared for our audit or having an extension granted by government.

The table on page 19 shows the average number of days taken to issue our financial audit opinions. This year, we delivered 47% of our audit opinions earlier than last year.

	2011-12	2012-13	2013-14	2014-15	2015-16
Percentage (%)	99.4	100	99.3	99.3	99.3

Table 6: Percentage of audit opinions delivered in time for agencies annual reports to be tabled within 90 days of financial year end

Audit opinions issued	2011-12	2012-13	2013-14	2014-15	2015-16
Annual Report on State Finances	1	1	1	1	1
Parliamentary departments	3	3	3	3	3
Government departments	40	40	40	42	44
Statutory authorities	98	92	86	83	85
Universities and state training providers	14	15	15	15	26*
Superannuation funds	3	3	3	3	2
Corporatised entities	15	15	15	19	13
Cemetery boards	5	5	13	5	8
Subsidiary entities	15	14	12	11	19
Request audits	5	2	4	7	4
Total	199	190	192	189	205

Table 7: Audit opinions issued

* This includes 11 additional audits of state training providers due to restructuring of the sector at 10 April 2016.

We also measure the success of our financial audits through annual financial audit client surveys. We consistently receive high levels of satisfaction from our audit clients, as outlined on page 26. The complete list of agencies subject to financial audit is contained in Appendix 2.

Audit certifications

Our audit work includes the certification of financial and statistical information produced by departments and statutory authorities. This assists agencies to discharge conditions of Commonwealth funding, grants or legislation and enables them to meet requirements of their funding agreements in a timely manner. In 2015-16, 234 of the 268 certifications related to Royalties for Regions projects (Table 8).

Across government benchmarking audits

In addition to the annual financial audits, our financial auditors also conduct across government benchmarking audits (AGBAs). These audits focus on common business practices across the sector and provide agencies with information about areas of better practice as well as potential deficiencies and pitfalls. This year our AGBAs were:

- *Management of Government Concessions* (page 35)
- *Verifying Employee Identity and Credentials* (page 36)
- *Agency Gift Registers* (page 38)
- *Controls Over Employee Terminations* (page 39)

Our internal management process includes self-assessing our own business processes against the AGBA tests we performed at client agencies, to identify opportunities for improvement. This process is outlined on page 58.

Other audits

This year we also completed a narrow scope performance audit of payroll and expenditure, using data analytics (page 34).

Output

Table 8 summarises the audit work delivered by our Financial Audit unit from 2011-12 to 2015-16.

Output – financial audit	2011-12	2012-13	2013-14	2014-15	2015-16
Audit results reports tabled in Parliament	2	2	2	2	2
Audit opinions issued to Minister and agencies	199	190	192	189	205
Audit certifications issued	29	35	37	34	34
Royalties for Regions certifications issued	71	130	186	190	234
Across government benchmarking audit reports tabled in Parliament	3	4	3	4	4
Narrow scope performance audit report tabled in Parliament	0	0	0	0	1

Table 8: Audit work delivered by our Financial Audit unit from 2011-12 to 2015-16

Performance auditing

Performance audits assess the efficiency and effectiveness of agency activities, services and programs. These audits can also identify instances of waste, legislative non-compliance, examples of good practice and will make practical recommendations for improvement. We conduct performance audits under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing Standards.

We conduct two types of performance audits:

- broad scope performance audits, which focus on the effectiveness and efficiency of larger programs, projects and services
- narrow scope performance audits, which have a tighter focus and may assess internal agency controls, compliance with legislation, policy and good practice, and information systems.

We also conduct follow-up audits to assess actions taken by agencies in response to our recommendations, and changes and improvements that result.

We conduct post project reviews of all our performance audits, and survey agencies for their views on the process after we have completed the audit (page 27). Our Performance Audit Methodology User Group meets quarterly to identify and implement continuous improvement opportunities.

Our audited key effectiveness indicator on page 96 provides an indication of our performance in relation to our reports tabled in Parliament. From page 31 you will find summary information on all our reports tabled in 2015-16.

Performance audits topic selection

Deciding what to audit is a key part of the Auditor General's independence and is not subject to direction from Parliament or government. We must exercise this independence responsibly, so we have processes in place to make sure our selection of topics is objective, robust and transparent.

Topic ideas are drawn from a range of sources including parliamentary committees, individual Members of Parliament, agencies, the community and staff. Twice a year, potential topics are assessed against our criteria and reviewed against our KPIs.

We seek to select a program that is balanced in its coverage, contains topics that matter to Parliament and the community, and that reflects how and where the state is spending taxpayer's money.

Once established, we discuss our forward work program with the Public Accounts Committee and the Estimates and Financial Operations Committee. When an audit commences, we make its objective, focus and timeframes public on our work in progress page on our website.

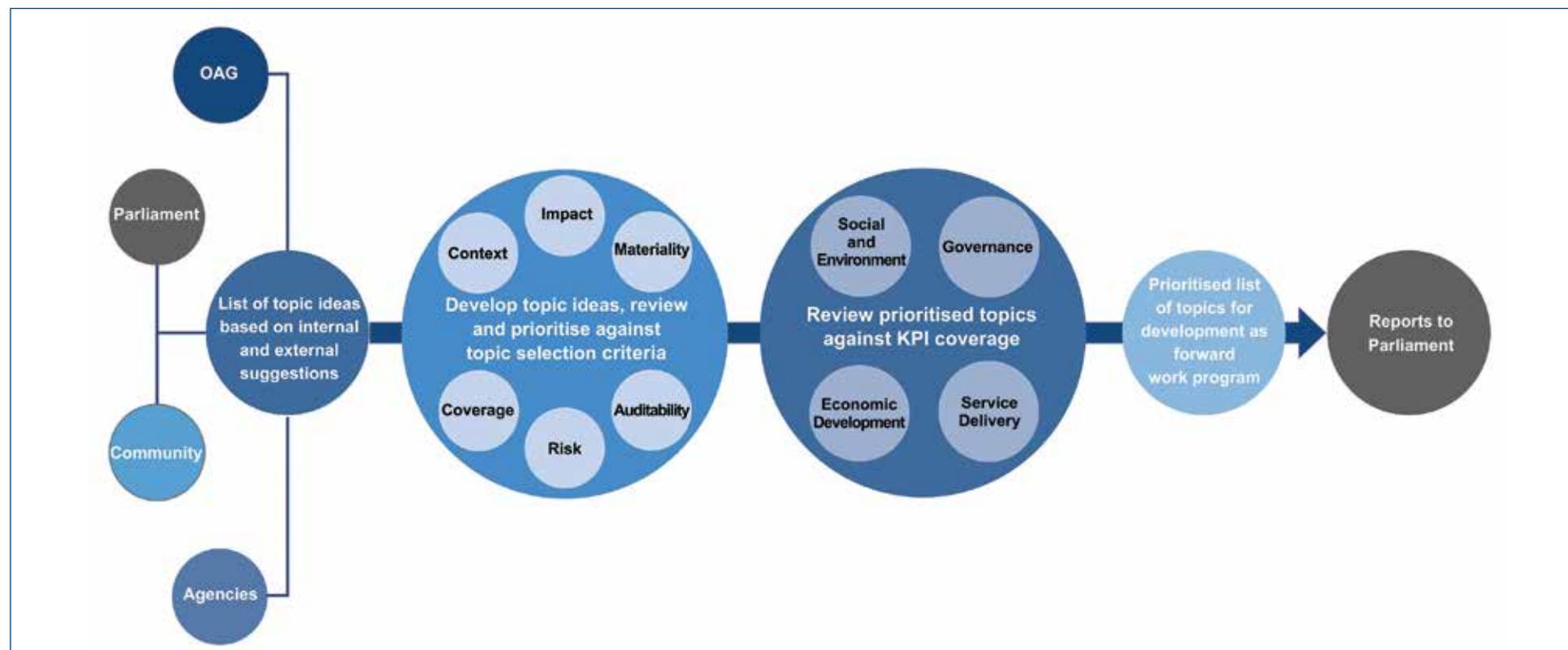


Figure 6: Our topic selection framework

Community surveys

We use online surveys as a low-cost, effective way of gaining further insight into our audit topics from specific target groups. Not all topics are suitable for a survey – small, very narrow, or specific topics are not surveyed. On our website there is a standing invitation to submit information about any of our current audits for consideration by the audit teams.

In 2015-16, we used an online survey to support and enrich our work on the ICT in Education audit. The survey targeted schools and we received 454 responses.

Opinions on ministerial notifications

As mentioned in Significant Issues on page 10, the number of ministerial notifications referred to our Office is high. This is likely due to increased awareness among Members of Parliament of the requirement to advise the Auditor General when they have refused to provide information to Parliament.

The level of resourcing and the time required to form an opinion on each notification can vary but is often considerable. We draw the necessary resources from our performance audit area. As we are not specifically funded to provide these opinions, this affects our scheduled audit program.

This year we received 10 ministerial notifications. Summaries of the ministerial notifications we tabled in Parliament in 2015-16 are available from page 31.

	2011-12	2012-13	2013-14	2014-15	2015-16
Number of ministerial notifications received	3	0	7	14	10

Table 9: Ministerial notifications received from 2011-12 to 2015-16

Our client feedback

We use an independent research company to conduct client surveys throughout the year. The results of these surveys are not part of our key performance indicators but are very important to understanding how we are performing and how well we are meeting the needs and expectations of our clients.

The results play an important part in our ongoing quality assurance and continuous improvement efforts (page 59) and are used to measure the effectiveness of a number of our strategic plan initiatives (Appendix 1).



Members of Parliament survey

Our annual survey of Members of Parliament monitors our performance in meeting our outcome of an informed parliament on public sector accountability and performance. Through this survey, members can share their views in areas such as satisfaction with our services and the effectiveness and usefulness of our products.

Table 10 shows the results received against four key areas. Although results declined in all areas we continue to perform well and score highly in dealing with matters of significance to Parliament (94%); and satisfaction with our reports and services (92%).

Consistent with previous years, members were very positive about the Auditor General's reports and services, with the majority perceiving them as:

- helping to improve, and providing valuable information on, public sector administration
- communicating the issues clearly.

Just under half of respondents indicated that a report tabled in the last 12 months was helpful to them. Members most commonly cited that this was due to the relevance of the content to their electorate and/or portfolio.

Indicator	% Agree or strongly agree				
	2011-12	2012-13	2013-14	2014-15	2015-16
The Office is effective in achieving its desired outcome	82	86	78	90	84
Reports dealt with matters of significance to Parliament	91	97	96	97	94
Services and reports are useful to Parliament	92	93	89	87	86
Overall satisfaction with Auditor General reports and services	90	83	90	97	92

Table 10: Results received against four key areas

Financial audit client surveys

All clients who received an audit opinion have the opportunity to participate in the annual financial audit client survey. The survey is conducted in two rounds, capturing both our June and December financial audit clients.

The survey gauges how we are performing in the areas of:

- audit process
- audit reporting
- audit value (financial, key performance indicator and information systems)
- overall performance.

The response rate this year was 81% an increase on last year (73%). Our clients continue to rate our audit value highly with 96% indicating they value the assurance provided by the audit and are able to improve management and internal controls through our recommendations.

The vast majority of audit clients were positive in their assessment of aspects of audit process, auditors' skills and knowledge (96%), professionalism (93%) and the involvement of senior audit staff (91%). Although, the ratings were high, they declined slightly from 2014-15 highlighting the need for us to focus improvement efforts in these areas.

Although the survey is comprehensive, Table 11 demonstrates our performance against key questions in each focus area.

Focus area	Indicator	% Agree or strongly agree				
		2011-12	2012-13	2013-14	2014-15	2015-16
Audit process	The Office's audit program was undertaken in a timely manner	91	80	88	91	87
	Audit staff were responsive to our needs	94	87	91	95	87
Audit reporting	The Auditor General's audit opinion was issued in a timely manner	97	95	95	95	91
	The management letters clearly communicated the audit findings and issues	91	91	92	94	94
Audit value	We value the assurance we obtain from the audit of our statutory financial statements	90	91	99	95	96
	We value the Office's recommendations to improve the financial management and internal controls of our organisation	86	88	95	95	96

Table 11: Results of key questions in three areas of focus

Performance audit client survey

After we table a performance report in Parliament, the agencies involved in that report are invited to complete a client survey. Like our financial audit client surveys, the surveys of our performance audit clients focus on our audit process, reporting, value and our overall performance.

The nature of audit work includes close scrutiny and possible criticism of agency performance, and we understand that this can influence the responses to the survey. Nevertheless, the surveys provide a valuable way for us to identify areas for improvement.

The survey response rate this year was 93%, the highest response rate we have ever achieved for a client survey.

Overall, the results for 2015-16 were positive and slightly improved when compared to last year. Each year we assess the results and identify areas where additional effort or internal training is required. It was pleasing to note this has resulted in more positive result in regard to:

- professionalism of our auditors
- balance and fairness of the tabled audit report
- understanding of the organisation by our auditors.

The results have also highlighted two areas where more effort is required:

- discussing issues with clients throughout the process
- providing adequate opportunity to comment on findings.

Focus area	Indicator	% Agree or strongly agree				
		2011-12	2012-13	2013-14	2014-15	2015-16
Audit process	The auditors communicated with us effectively.	84	80	88	78	81
	We were promptly informed of significant issues/findings as they arose during the audit.	81	77	79	80	73
	The auditors adequately understood our organisation, including our operating environment.	52	51	70	45	58
	The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit.	82	75	89	75	78
	The auditors conducted themselves professionally during the audit.	90	90	92	88	93
	We were provided with adequate opportunities to comment on the audit findings and issues before the final report was tabled in Parliament.	94	80	92	83	81
Audit reporting	The tabled audit report communicated the audit findings and issues clearly.	82	77	88	83	85
	The tabled audit report was factually accurate.	65	72	90	78	81
	The tabled audit report was balanced and fair.	60	77	81	65	73
Audit value	The audit will help us improve the performance of the audited activity.	89	72	60	76	74

Table 12: Results of key questions in three areas of focus

Aggregate performance index scores

For both performance and financial audits, the survey analysis includes the calculation of aggregate performance indices across the four focus areas of audit process, audit reporting, audit value and our overall performance.

The aggregate index for an area is the average of the individual question indices for survey questions across that specific area. The index for a question is the average response for each question across all respondents. The results are consistently high with no single area identified as of concern. However, decreases from 2014-15 highlights the need for us to maintain our focus on continuous improvement activities.

Financial Audit					
Focus area	2011-12	2012-13	2013-14	2014-15	2015-16
Audit process	80.1	77.3	77.8	79.8	78.9
Audit reporting	80.0	80.4	81.7	82.1	81.8
Audit value					
Financial statements	78.7	78.8	85.1	87.4	86.5
Performance indicator	73.7	73.7	78.9	81.5	81.4
Information systems	76.7	77.9	76.1	75.4	78.4
Overall performance	77.9	77.6	79.9	81.2	81.4

Table 13: Financial Audit – aggregate performance indices for the past five years

Performance Audit					
Focus area	2011-12	2012-13	2013-14	2014-15	2015-16
Audit process	72.8	69.8	78.2	68.9	76.0
Audit reporting	72.7	68.8	78.0	73.3	74.8
Audit value	76.5	68.8	65.6	70.1	70.4
Overall performance	74.0	69.2	73.9	70.8	73.7

Table 14: Performance Audit – aggregate performance indices for the past five years

Making a difference – report successes

Positive change to government activity and practice is a good reflection of the impact our work is having and of our progress in meeting our desired outcome.

Some examples where our work has informed, influenced, or directly resulted in change include:

- the Public Sector Commissioner issued a circular in October 2015 making agencies aware of the need for more detailed guidance to employees through gift policies and improved practices for declaring, approving and recording gifts following the tabling of **Agency Gift Registers** (page 38)
- as a direct result of the recommendations of our audit, **Follow-on: Managing Student Attendance in Western Australian Public Schools** (page 40), the Department of Education increased the transparency and completeness of its reporting by including key information in its 2014-15 Annual Report which they had never previously included
- the release of the River Protection Strategy in September 2015 was a recommendation of our audit **Our Heritage and Our Future: Health of the Swan Canning River System** (August 2014).

Parliament follow-up of our reports

We acknowledge and appreciate the important role the Public Accounts Committee (PAC) plays in its follow-up of recommendations made in our tabled performance reports. PAC requires agencies to explain in writing what action they have taken to address our recommendations and can require senior management to appear at a hearing to provide further information. PAC may also choose to seek comment from the responsible Minister.

PAC issued its latest Review of Auditor General Reports in September 2015. There was also a report in June 2016 outlining concerns the Committee has regarding the follow-up of the Housing Authority to matters raised to previous audits. These reports are available on the Parliament website www.parliament.wa.gov.au.

Our reports tabled in 2015-16

During 2015-16, we tabled 29 reports in Parliament. On the following pages is a brief summary of each of the reports. These reports are available on our website at www.audit.wa.gov.au/reports.

Website statistics provide an indication of the degree of public interest in our reports. The following are the top 10 accessed reports for 2015-16.

Report	Total website interactions	Page views*	PDF downloads#
Health Department's Procurement and Management of its Centralised Computing Services Contract	9,495	7,792	1,703
Information Systems Audit Report – Applications Reviews and Database Security	6,289	5,208	1,081
Audit Results Report Annual 2014-15 Financial Audits	4,072	3,651	421
Support and Preparedness of Fire and Emergency Services Volunteers	3,838	3,404	434
Delivering Services Online	3,402	3,174	228
Controls Over Employee Terminations	2,731	2,352	379
Safe and Viable Cycling in the Perth Metropolitan Area	2,702	2,341	361
Operating Theatre Efficiency	2,248	2,083	165
Pilbara Underground Power Project	2,150	1,925	225
Verifying Employee Identity and Credentials	2,096	1,787	309

Table 15: Top 10 accessed reports for 2015-16

* The number of times a page within the report subsection was viewed

PDF downloads includes report, summary and media statement

Management of Feedback from Public Trustee Represented Persons



Narrow scope performance audit

KPI category – Service delivery

Tabled – 30 June 2016

This audit looked at the Public Trustee's complaints management process and how it uses the information it receives from both complaints received and the client satisfaction survey to improve services to represented persons. The audit found that the Public Trustee is satisfactorily collecting, managing and using information from complaints and client satisfaction surveys to improve services to represented persons. Also, complainants receive timely, informed responses.

The Public Trustee should improve the recording and reporting of complaints received through alternative pathways. Complaint handling is important as it allows clients to express dissatisfaction and can assist an agency with improving the quality of its services.

Management of Marine Parks and Reserves



Broad scope performance audit

KPI category – Social and environment

Tabled – 30 June 2016

This audit assessed how effectively marine parks and reserves are managed and protect the marine environment. The audit found Western Australia had made good progress towards establishing a representative network of marine parks and reserves and that the overall health of the parks is good. We identified gaps that do not present a significant immediate risk to the health of marine environment, but the risk will increase if issues persist, particularly as the network expands, and pressures on the marine environment increase.

The report makes a number of recommendations to assist the future management of our marine parks and reserves.

Maintaining the State Road Network – Follow-on Audit



Broad scope performance audit

KPI category – Economic development

Tabled – 29 June 2016

This audit examined whether Main Roads had taken reasonable steps to address problems identified in our 2009 audit and if the condition of the state road network has improved since then. The audit found although there had been some progress in how maintenance is managed, Main Roads is not addressing the maintenance needs of the network in a cost effective way. There had also been no reduction in the significant backlog of maintenance.

The report recommends Main Roads consider a long-term strategic approach to planning and undertaking maintenance to achieve value for money, while simultaneously addressing critical maintenance needs.

Regulations of Builders and Building Surveyors



Narrow scope performance audit
KPI category – Governance
Tabled – 22 June 2016

This audit looked at how well the Building Commission regulates WA's registered builders and building surveyors and how it monitors and enforces compliance with building legislation and codes. The audit found the Commission is processing new builder and surveyor licence applications satisfactorily but relies on self-disclosure for renewal and interstate application character checks that could raise concerns about people operating in the industry. The Commission obtained the power to conduct proactive audits, which it has been slow to use. Overall, aspects of the Commission's operations needed improvement, though for the most part a positive trend was evident.

The reports includes a number of recommendations to assist the Commission with improvements to operations.

Information Systems Audit Report – General Computer Controls and Capability Assessments



Information systems
KPI category – Governance
Tabled – 22 June 2016

This audit assessed general computer controls across 45 government agencies against six control categories: IT operations, management of IT risks, information security, business continuity, change control and physical security. We found only 10 agencies had mature general computer control environments and more than half are not meeting our benchmark in three or more of the control categories.

This audit has been conducted for eight years and over this time, there has been little or no improvement in controls. This is disappointing as most of the issues are relatively simple and inexpensive to correct.

Information Systems Audit Report – Application Controls Audits



Information systems
KPI category – Governance
2016
Tabled – 22 June 2016

The audit looked at the controls around five applications that agencies rely on to deliver services internally as well as to the public and other organisations. We found all applications were working effectively but identified 56 findings – 6 rated significant, 39 moderate and 11 minor. The significant issues related to lack of policies and procedures, security around sensitive information and data input.

These weaknesses could affect service delivery and compromise the security of the sensitive information held in the application. For each application, the report makes a number of recommendations to improve controls around it. For most, the solutions are relatively simple and inexpensive.

Opinions on Ministerial Notifications



Opinion on ministerial Notifications
KPI category – Governance
Tabled – 8 June 2016

This report dealt with the decisions by Ministers not to provide information to Parliament.

- The decision by the Minister for Lands, not to provide legal advice regarding the state's obligation to sign the BHP Billiton Kurra Village lease renewal was reasonable and therefore appropriate as it is covered by legal professional privilege.
- Two decisions by the Treasurer, not to provide information on details and the value of disputes between the head contractor at Perth Children's Hospital, and its subcontractors were reasonable and therefore appropriate as the details were part of an ongoing, confidential dispute process.

Payment of Construction Subcontractors – Perth Children's Hospital Project



Narrow scope performance review
KPI category – Governance
Tabled – 8 June 2016

This report reviewed the Department of Treasury's oversight of payments made by the Perth Children's Hospital Contractor to its subcontractors, to determine if it was appropriate and in accordance with the contract terms. We found Treasury's monitoring of payment disputes is consistent with the contract terms and for the most part is reasonable.

The report made recommendations to achieve process improvements that Treasury could make to oversight payments and greater visibility of the status of disputes.

Delivering Services Online



Performance audit
KPI category – Service delivery
Tabled – 25 May 2016

This audit looked at five agencies to assess how well they were responding to the demands of online service delivery. We found some improvement in offering services online but significant opportunity to move more online to address growing customer demand and benefit from significant savings.

The report made a number of recommendations for agencies to consider in planning and delivering online services and for the Government Chief Information Officer to provide centralised leadership and improve the effectiveness of www.wa.gov.au.

Safety devices in Public Housing – Follow-up



Broad scope performance audit
KPI category – Service delivery
Tabled – 11 May 2016

This report, a follow-up to a 2010 audit, examined whether the Housing Authority is managing safety devices in its public housing properties effectively. The audit found Housing unable to confirm that all its properties had the required working safety devices and that safety device information is stored across a number of systems and is missing or incorrect, a result of poor baseline information, and inconsistent updating from inspections and maintenance.

Housing needs to address the systemic weaknesses we found in property inspections, data collection and management oversight; otherwise, it continues to put tenants and properties at some risk from electrocution and fire.

Audit of Payroll and other Expenditure using Data Analytic Procedures



Narrow scope performance audit
KPI category – Governance
Tabled – 10 May 2016

This report examined four million transactions worth over \$7.5 billion at 12 agencies to analyse agency expenditure and payroll data to identify potential fraud, errors or omissions. Using data analytics, we identified errors at six agencies, but no evidence of fraud. Errors and inappropriate practices included payment of suppliers twice for the same service, invoice splitting, use of government purchasing cards while the cardholder was on leave, inadequate explanations for payments, and failure to identify potential conflicts of interest for payments.

We recommended that agencies consider how they manage and keep data, as the use of data analytics can provide an in-depth analysis of a known problem or allow testing for fraud and errors.

Audit Results Report - Annual 2015 Financial Audits



Financial audit
KPI category – Governance
Tabled – 10 May 2016

This report summarised the results of the annual audits of the four public universities and their subsidiaries and the 11 state training providers (TAFE colleges) for the year ended 31 December 2015, as well as a small number of various other audits. All universities and state training providers received clear audit opinions on their financial statements, controls and key performance indicators. Overall, the institutions were better prepared for audit this year and the financial statements were of a higher standard.

A summary of selected key performance indicators and key financial ratios that are commonly used to analyse financial health are included in the report.

Land Asset Sales Program



Broad scope performance audit

KPI category – Economic development

Tabled – 6 April 2016

The audit assessed how effectively the Department of Lands is implementing the Land Asset Sales Program. The program identifies surplus properties, assesses best future use and where appropriate sells the property. We found the program had made a good start with managing surplus government land and the Department had established good processes and sound governance to support the program.

The report includes a number of recommendations including making more information public on the sale price and the cost of preparing land for sale, which will increase transparency.

Management of Government Concessions



Across government benchmarking audit

KPI category – Governance

Tabled – 16 March 2016

The audit assessed whether agencies have appropriate processes and controls over their concessions. We assessed the practices at eight agencies that offer various concessions worth an estimated \$227 million per annum. We found the overall management of concessions at most agencies was reasonable, although seven of the agencies need to make improvements to some elements of their process.

Agencies that manage concessions are encouraged to ensure their policies and procedures are comprehensive, regularly reviewed and approved by the appropriate level of management.

Consumable Stock Management in Hospitals



Limited assurance report

KPI category – Service delivery

Tabled – 24 February 2016

This preliminary audit looked at the Department of Health's management of consumable stock in public hospitals. We found Health followed good inventory practices, had a robust selection process for stock and that purchases were made through common use agreements or Health contracts.

We found no significant issues and recommended one improvement opportunity for Health to consider.

Health Department's Procurement and Management of its Centralised Computing Services Contract



Narrow scope performance audit
KPI category – Governance
Tabled – 17 February 2016

This report reviewed procurement and management of Health's Central Computing Services contract as well as the financial and asset control arrangements for goods and services purchased under the contract. We found Health did not effectively manage the contract and found a number of areas of concern including no dedicated contract manager, no clear policies and procedures for contract variation and ineffective financial management. A number of the variations were approved by employees that did not have the appropriate authority with no business case or assessment and resulted in significant purchases far exceeding Health's requirements.

We recommended a number of areas for improvement that will result in better, effective contract management and governance.

In June 2016, a supplementary report was tabled following receipt of new information that was relevant to the report's findings.

Verifying Employee Identity and Credentials



Across government benchmarking audit
KPI category – Governance
Tabled – 2 December 2015

This audit reviewed 10 agencies to assess whether they were adequately screening employees to verify their identity and right to work in Australia, check professional qualifications, and identify and assess criminal records. We found many instances where the screening practices were inadequate and we concluded that all 10 agencies needed to improve their practices.

A key activity of any agency is the recruitment of employees – effective verification and screening processes provide greater assurance that agencies are recruiting the most appropriate and suitable person for the role.

Operating Theatre Efficiency



Broad scope performance audit
KPI category – Service delivery
Tabled – 18 November 2015

This audit examined whether public hospitals are managing operating theatres efficiently. We found across a sample of five hospitals in 2014 that at least 3,000 hours of operating theatre time was feasibly available to treat many more patients. This lost time was equivalent to staffing two theatres for almost a year without treating any patients. Operating theatre time is primarily lost because many surgical sessions start late or finish well before the scheduled end and there are a large number of cancellations on the day of surgery.

We found that better scheduling of surgery would allow more available time to be used, and reduce the need for and cost of staff working overtime.

Audit Results Report – Annual 2014-15 Financial Audits



Financial audit
KPI category – Governance
Tabled – 5 November 2015

This report summarised the annual audit results of the financial statements, controls and key performance indicators of 47 departments, 85 statutory authorities and 13 corporations with combined assets of over \$209 billion. Slightly fewer financial control weaknesses were identified this year than last, but almost a third were unresolved from last year and the number of significant issues remained high.

The challenge for agencies is to rectify their control weaknesses as soon as possible to reduce the risk of error and fraud, and to provide assurance that their financial statements are correct.

Agencies also need to make sure their key performance indicators are relevant and provide useful, meaningful information.

Information Systems Audit Report – Applications Reviews



Information systems
KPI category – Governance
Tabled – 5 November 2015

This audit reviewed key business applications at four agencies. We found that all four applications were performing well and addressing business needs. However, some weaknesses around data validation and the manual process supporting these applications were found. As well, issues pertaining to information security were found at every agency.

Particular areas of concern were around data access and logging, software patching and updates, and general security practices in agency IT environments. These weaknesses increase the risk to the confidentiality, integrity and availability of sensitive information that is entrusted to agencies.

Information Systems Audit Report – Database Security



Information systems
KPI category – Governance
Tabled – 5 November 2015

This audit looked at the security for 13 databases, across 7 agencies, which are critical to agency functions and hold personal and sensitive information. We found none adequately prevented unauthorised access to and data loss from the databases. Most concerning is that we continue to find weak controls in basic, easy to fix areas such as passwords, patching and setting of user privileges.

To assist agencies in addressing database security, we provided guidance material in the report outlining suggested security controls and practices to improve the security of their databases.

Safe and Viable Cycling in the Perth Metropolitan Area



Narrow scope performance audit

KPI Category – Social and environment

Tabled – 14 October 2015

This audit assessed whether there is suitable support and infrastructure to enable cycling to be a safe and viable mode of transport in the Perth metropolitan area. We found that while government had gradually improved cycling infrastructure in the Perth metropolitan area, less than half of the planned cycle network was complete, with significant sections not built and older paths requiring upgrading.

A safe and viable cycle network required better planning, sustained funding and cooperation of local governments. Growing the popularity of cycling has clear economic, health and environmental benefits – it reduces traffic congestion, lowers vehicle emissions and reduces health costs through a more physically active community.

Agency Gift Registers



Across government benchmarking audits

KPI category – Governance

Tabled – 8 October 2015

This audit assessed if agencies had suitable policies and practices in place for the management of gifts received. The report found no significant improvement since a similar report in 2012. We found agencies need to provide more guidance to employees through gift policies, improved practices for declaring gifts and in approval and recording of gifts, and better monitoring of trends and compliance with policies.

Gift registers are an important transparency tool that help agencies manage potential conflicts of interest and good processes ensure any decision to accept the gift is justifiable, authorised and transparent.

Opinions on Ministerial Notifications



Opinions on ministerial notifications

KPI category – Governance

Tabled – 8 October 2015

This report dealt with seven decisions by three Ministers not to provide information to Parliament. The decisions by three Ministers not to provide information to Parliament were reasonable, largely due to confidentiality obligations and commercial sensitivity:

- Minister for Finance, about the stamp duty payable by the purchaser of FESA House
- Minister for Finance, about naming organisations claiming a payroll tax rebate
- Minister for Tourism, about funding provided to attract a 2018 FIFA World Cup Socceroos qualifying match to Perth.

The decisions by the Minister for Transport not to provide information about the Perth Freight Link were not reasonable and therefore not appropriate because the information was already publicly available.

Opinions on Ministerial Notifications



Opinions on ministerial notifications
KPI category – Governance
Tabled – 27 August 2015

This report dealt with three decisions by the current and former Minister for Sport and Recreation, not to provide information to Parliament about the arrangements to design, build, finance and maintain Perth Stadium. The Ministers refused to provide some information from the state's agreement with the Westadium consortium and an unredacted copy of the contract.

The Auditor General was unable to form an opinion as to whether the decisions were reasonable and appropriate because sufficient evidence was not obtained. We were refused access to legal advice that was crucial to the Department of Sport and Recreation advice to the Minister. This is the first time that the Auditor General had been unable to form an opinion because an agency did not provide us with critical information. The agency claimed the Auditor General did not have the authority to sight information subject to legal professional privilege.

Controls Over Employee Terminations



Across government benchmarking audit
KPI category – Governance
Tabled – 27 August 2015

This audit assessed if agencies have implemented suitable policies, procedures and controls for employee terminations. Three of the 10 agencies had good policies, procedures and/or controls for managing employee terminations. However, none was consistently following management approved control requirements. This resulted in a number of errors and omissions, the most concerning of which was terminated employees retaining inappropriate access to information systems.

Agencies need to improve employee termination processes to ensure that final payments to employees are correct, that the employee returns all assets to the agency and access to premises and information systems is promptly removed.

Support and Preparedness of Fire and Emergency Services Volunteers



Performance audit
KPI category – Service delivery
Tabled – 20 August 2015

This audit looked at whether the Department of Fire and Emergency Services (DFES) is effectively recruiting, preparing and supporting fire and emergency services volunteers. We found DFES was improving the management of its volunteer workforce but there is still a considerable amount of work to do in some areas including volunteer turnover, a declining number of volunteer groups, and fatigue.

DFES had a number of projects that should deliver improvements in these areas, but they were still in planning or early implementation stages. The report recommended continuing implementation of the projects, improving data and records, development of policies and procedures, and improved communication and consultation with volunteers.

Follow-On: Managing Student Attendance in Western Australian Public Schools



Performance audit
KPI category – Service delivery
Tabled – 19 August 2015

This audit assessed whether the Department of Education had taken reasonable steps to improve the level of student attendance in Western Australian public schools since our original 2009 report. We found there had been no improvement in student attendance at public schools since our last audit and Aboriginal students remain overrepresented in the at-risk group, especially those at severe educational risk.

Strategies introduced by Education since our previous report have had little overall effect. Improving attendance is not easy or simple, but there needs to be a concerted, collaborative effort resulting in long lasting benefits.

Pilbara Underground Power Project



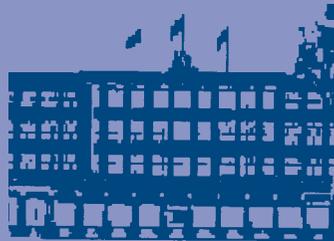
Broad scope performance audit
KPI category – Economic development
Tabled – 12 August 2015

This audit assessed the funding, planning and management of the Pilbara Underground Power Project overseen by Horizon Power. We found the project is forecast to be completed by June 2018 and cost the state and local governments \$252 million. This is six years later and \$122 million more than originally approved. Issues in the planning, governance and project management contributed to the expected cost overruns and delays.

Since early 2012, Horizon Power had improved its contracting, planning, management and oversight of the project. These changes address the problems experienced in delivering the project, and improve the likelihood of meeting the revised completion date and budget.



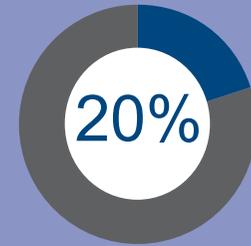
Our Activities



We provide Parliament with relevant and timely information (page 42)



Parliamentary reviews directly affect our Office (page 43)



Increase in referrals and enquiries (page 45)

Working with Parliament

Unlike public sector departments and agencies, our Office does not report to any government minister but reports directly to Parliament. As our key client, we strive to keep Parliament informed on public sector accountability and performance and we have developed a number of initiatives to promote quality relationships with Parliament and parliamentary committees.

Parliamentary liaison program

Our parliamentary liaison program helps ensure that we provide Parliament with relevant and timely information, in keeping with our obligations under the *Auditor General Act 2006*. This benefits both Parliament and our Office and supports our mission to help improve public sector performance and accountability by reporting independently to Parliament.

This program includes:

- briefings for new Ministers, Members of Parliament and parliamentary committees
- regular meetings and briefings with parliamentary committees and key parliamentarians
- briefing parliamentarians on our tabled reports
- briefings to our parliamentary oversight committees on our proposed forward audit program and current audit issues
- providing information to support inquiries by parliamentary committees.

We use the results of our annual survey of Members of Parliament survey (page 25), together with direct feedback throughout the year, to identify any potential initiatives or improvements that could further enhance our parliamentary liaison program.

Parliamentary inquiries

We have been involved in, or provided information to assist a number of parliamentary inquiries during 2015-16, including:

Review of the Performance of the Office of the Auditor General and the effectiveness of the *Auditor General Act 2006*

The *Auditor General Act 2006* requires the Joint Standing Committee on Audit (JSCA) to carry out a review of the operation and effectiveness of the Act and the performance of the Auditor General every five years. The JSCA appointed independent reviewers to carry out this work under their direction.

In November 2015, the appointed reviewers provided the JSCA with the final report on stage 1 of the review, which focused on the performance of the Office. In June 2016, separate appointed reviewers provided the JSCA with a report for the second stage, a review of the effectiveness of the Act. Both reviews were comprehensive and from our perspective well managed and resourced. We appreciate the level of engagement and commitment of both review teams.

Education and Health Standing Committee

The Auditor General and Assistant Auditor General, Information Systems and Performance Audit appeared before the Education and Health Standing Committee to discuss our February 2016 audit report the *Health Department's Procurement and Management of its Centralised Computing Services Contract* (page 36).

Review of the Department of Treasury's Report Review of the Financial Management Act

The Auditor General and the Deputy Auditor General appeared before the Joint Standing Committee on Audit, and exchanged correspondence, to assist with its review of the *Financial Management Act 2006*. The Committee was interested in information provided by the Auditor General to the Department of Treasury, any concerns raised and any possible implications for the review into the effectiveness of the Auditor General Act.

Parliamentary requests for information or investigation

Two performance audits were completed this year, which came about as a result of Members of Parliament raising issues with us. These requests were *Management of Feedback from Public Trustee Represented Persons* (page 31) and *Payment of Construction Subcontractors – Perth Children's Hospital* (page 33).

We have incorporated a number of other issues that members raised into broader audits. All requests for audit are considered through our comprehensive topic selection process (page 23).

Working with our peers

Australasian Council of Auditors-General

The Australasian Council of Auditors-General (ACAG) is an association established by Auditors General in 1993. It allows Auditors General to share information and business intelligence and supports the development of effective and efficient auditing methods and practices by members.

ACAG also enables Auditors General to express their collective opinions, where appropriate, on financial accounting and auditing standards and related issues such as exposure drafts issued by the Australian Accounting Standards Board and their international equivalents.

We also participate in ACAG's sub committees, which provide mutual benefits and learning opportunities between audit offices. These are:

- **ACAG Information Systems Audit Group:** provides a forum to exchange knowledge and experience in information technology (IT) audit and use of IT as a support tool for auditors.
- **Financial Reporting and Auditing Committee:** provides strategic and technical advice on developments in accounting, financial reporting and financial auditing.
- **Heads of Financial Audit Group:** provides a forum to exchange knowledge and experience in current financial audit developments and practice.
- **Heads of Performance Audit Group:** provides strategic advice and information to support the development of effective and efficient performance auditing practices.
- **Quality Assurance Committee:** develops and maintains ACAG's capacity to perform quality assurance reviews when requested by Auditors General.

Auditing and Assurance Standards Board

The Auditor General is a member of the Auditing and Assurance Standards Board (AUASB), which is an independent, statutory agency of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards.

Integrity Coordinating Group

Our Office has been a member of the Integrity Coordinating Group (ICG) since it was established in 2005. The ICG is an informal association of five independent integrity agencies whose purpose is to use their combined voice to promote and strengthen integrity in Western Australian public bodies. The five agencies are, the Office of the Auditor General, the Western Australian Ombudsman, the Public Sector Commission, the Corruption and Crime Commission and the Office of the Information Commissioner.

The heads of the five agencies meet several times each year to share information and to collaborate where appropriate. Outputs of the ICG include guidance papers and seminars that promote the concept of integrity in government.

Working with our stakeholders

The Office of the Auditor General receives information from many different sources that assists us to perform our functions. We treat all information we receive with confidentiality, applying best practice processes, as recommended by the Western Australian Ombudsman. We manage all feedback, suggestions and concerns in a way that demonstrates the Office values of integrity, quality and respect.

Our website includes information and advice on how to contact us and provides the opportunity to submit feedback through a number of communication methods. It is important to note that information received through these avenues may be examined under the *Auditor General Act 2006*, and can be considered as part of our topic selection process (page 23).

Referrals and enquiries

Referrals can be an early warning of issues relating to the performance, probity and compliance of the public sector. We record and review all referrals and enquiries to identify any trends and wider issues across government.

When considering the issues referred to us, our focus is on systemic weaknesses rather than a one-off issue affecting an individual. If the matter is systemic and within our mandate, then any decision to investigate is made after consideration against internal protocols and in an objective and ethical manner to ensure a consistent response. If the issues are outside our mandate, we will assist individuals to redirect their issues to those who can best assist.

Where matters cross jurisdictional boundaries, such as the work of the Corruption and Crime Commission or the Public Sector Commission, we have processes in place to communicate with other integrity agencies to highlight potential issues, whilst maintaining confidentiality.

In 2015-16, we experienced a 20% increase in the number of referrals and enquiries lodged with us.

Referrals and/or enquiries received	2011-12	2012-13	2013-14	2014-15	2015-16
Members of the public	72	61	45	76	116
Member of Parliament or parliamentary committees	18	15	16	20	17
WA State Government agencies	9	14	15	37	30
Total	99	90	76	133	163

Table 16: Referral and enquiries received by the Office

Increased media around the government intent to change the Auditor General's mandate to include local government led to many referrals on local government matters despite us not yet having the authority. Other trends included concerns about the Department of Health, the Department of Education and the WA Housing Authority. The clear majority of referrals once again related to governance matters and compliance within public sector agencies.

In 2015-16, the average number of days we took to respond was 3.49 working days, an improvement from four days last year. We responded to 93.3% of all referrals and enquiries within our target of days to respond, which was also an improvement on last years' outcome of 90%.

Public Interest Disclosures

The Office is one of a number of accountability agencies to which people can make public interest disclosures (PID) under the *Public Interest Disclosure Act 2003*. This Act establishes us as the appropriate authority to receive PIDs that relate to substantial unauthorised or irregular use of, or substantial mismanagement of, public resources.

In 2015-16, we received one PID matter that met the criteria of a PID. We also received two matters that are currently being assessed to see if they meet PID criteria.

The Auditor General appoints key employees, including some executive members of the Office, as PID officers. We deliver appropriate training for these employees so they can receive and manage PIDs effectively.

Complaints

We define a complaint about the Office as any expression of dissatisfaction or concern made about the Office, its staff, external contractors, services, products or practices.

We received one complaint in 2015-16 which was resolved to the satisfaction of the complainant.



Adam, Senior Performance Analyst (right) examining green waste to compost at the Bunbury Harvey Regional Council as part of the Western Australian Waste Strategy audit (due to be tabled late 2016)



Thelma, Support Officer, first point of contact for referrals and enquiries (page 44)



Rachael, Principal Performance Analyst, on board the DPaW boat at Shoalwater Islands Marine Park (report details page 31)

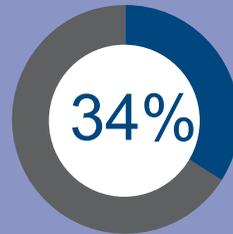


Alan, Director (right) visiting Horizon Power depot, Karratha (report details page 40)

James, Principal Performance Analyst (left) visiting the Goomig spillway as part of the Ord-East Kimberley Development Plan audit (due to be tabled late 2016)



Our People



Our people are from culturally diverse backgrounds (page 48)



Our commitment to training is recognised by industry bodies (page 50)



Our people feel encouraged to use their initiative (page 51)

Our People

We meet our mandate to Parliament, the public sector and the people of Western Australia by delivering quality audit services efficiently and effectively through the competence, dedication and enthusiasm of our people. Our commitment to providing a supportive environment is reflected in the importance we place on managing and developing our workforce.

Ensuring that we have the right people in the right positions is fundamental to meeting the challenge of an increasing audit program without growing our FTE. Although the Auditor General has some discretion over management and resourcing, the Office is a public sector department and is subject to the obligations and constraints of the *Public Sector Management Act 1994*.

Business unit	2011-12	2012-13	2013-14	2014-15	2015-16
Auditor General	4.6	6.8	5.8	5.0	6.0
Financial Audit	59.5	60.4	65.2	66.3	64.88
Information Systems and Performance Audit	12.2	12.9	13.4	16.1	16.66
Performance Audit	18.8	14.0	15.0	19.0	14.72
Technical and Audit Quality	6.0	9.9	5.8	5.8	4.8
Business Services	20.5	20.6	22.2	22.5	25.21
Total	121.6	124.6	127.4	134.7	132.27

Table 17: FTE at 30 June for the last five years

Equity and diversity

With 34% of our employees from culturally and linguistically diverse and non-English speaking backgrounds we face unique challenges, especially in the area of communication skills. Where necessary we offer speech therapy support to help in both verbal and written communication skills and conduct introductory plain English workshops, which are stepping stones for more advanced training. Additionally on our intranet we provide the online Macquarie Dictionary, which includes an English pronunciation tool.

Our regular Workplace Behaviour and Equal Employment Opportunity training, offered to our graduates and new employees as part of their induction program presents and clarifies behavioural expectations.

This year we also presented an in-house program on Performance Conversations that was designed to serve the dual purposes of enabling people to initiate conversations about workplace behaviour and performance; and to raise awareness of mental health indicators and early interventions.

Equity and diversity	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %
Women	58.0	58.0	56.0	59.0	55.15
Aboriginal	0.0	0.0	0.0	0.0	0.0
People from culturally diverse backgrounds	36.4	25.0	34.0	34.0	33.83
People with disabilities	3.1	2.9	1.3	0.74	0.74
Youth	9.8	11.7	6.8	6.0	5.89

Table 18: Each diversity group as a percentage of our workforce at 30 June 2016

Secondments in and out of the Office

Secondments out of the Office to other agencies are a cost effective and efficient way of employees broadening experience, improving expertise and increasing skill sets. Secondments in from other agencies provide benefits through different perspectives, ideas and suggestions from secondees.

Our ongoing relationships with other audit offices in Australia and around the world means that we can offer secondments across jurisdictions and internationally. Cyclically we are now considering a placement from the British Columbia Audit Office.

All of these placements are a mutually beneficial way of sharing audit knowledge and expertise throughout and beyond the Australasian Council of Auditors-General community.

Placements	2011-12	2012-13	2013-14	2014-15	2015-16
Into the Office from other agencies	7	8	6	3	4
Out of the Office to other agencies	14	15	11	9	11

Table 19: Placements in and out of our Office since 2011-12

Employee attrition

Our attrition rate stabilised at 7.35% with only 10 employees leaving the Office in 2015-16: four were resignations, five were transfers to other public sector agencies and one senior member retired.

The retention strategies and other initiatives identified in our Workforce Development Plan have been employed to enhance our recruiting competitiveness and employee retention.

Graduate recruitment and support

We were pleased to welcome five new financial audit graduates to the Office in February 2016. Our advertised recruitment program attracted 102 applicants, with 33 shortlisted for interview.

Our intensive five-week induction and training program provides a strong foundation from the very beginning of our graduates' time with us and includes:

- introduction to the Office and the broader public sector
- professional behavioural and customer service standards
- practical auditing
- legal compliance requirements
- a three-week practicum.

We also conduct a three-year graduate-focused training program that follows and supports them through their key technical development period and their professional studies.

Learning and professional development

A key component of our workforce planning is the Office's Professional Development Plan. Our Professional Development (PD) Committee includes representatives from all business units of the Office. The Committee is responsible for developing and delivering a program to meet the needs of the Office and of individuals.

Continued CPA Australia recognition of our commitment to PD, training and performance management is reflected in our Recognised Knowledge Partner Status. Our CPA members continue to receive a number of benefits, most notably automatic continuing professional development recognition. Our recognition by the Chartered Accountants Australia and New Zealand as a Recognised Training Employer provides similar benefits to CA affiliate members.

Input for PD topics, training areas and improvement opportunities comes:

- through changes in our social, political and economic environment
- as a result of legislative change
- via professional and technical standards boards
- directly from our people
- as a result of development areas identified through the performance development and review program (page 51)
- through employee evaluations of the relevance and quality of our PD program.

Topics of general relevance and wide application are delivered in the whole-of-office component of PD days and targeted sessions reflecting specific employee group training needs are delivered across relevant business units.

Employees undertaking CPA Australia and Chartered Accountants Australia and New Zealand studies receive targeted training relevant to their studies. Other targeted sessions are delivered by the committee arranging speakers to discuss specific topics and provide guidance.

Our regular PD sessions are the primary vehicle for whole-of-office training. The program includes both technical and non-technical learning. Specialist internal and external guest speakers lead sessions and we supplement our program with a range of different training methods, including online courses and webcasts of national speakers.

By giving our people the opportunity to present on topics within their expertise and providing constructive feedback we recognise the importance of fostering the speaking and presentation skills of our own employees. This has improved our in-house presentation skills and improved employee capabilities.

Specific training sessions presented in 2015-16 included:

- environmental and legislative impacts on business activities
- public sector awareness, including other agency presentations
- recruitment and selection processes
- health and wellbeing sessions
- accounting and auditing standards updates
- technical accounting and audit methodology training
- business updates – reviewing Office activities and projects.

Our long-standing commitment to clear, concise report writing, free from jargon and government speak was supported by an increased range of plain English training sessions. The sessions ranged from a half day introductory workshop through to proof-reading and editing, targeting relevant employee levels.

University liaison program

We value our strategic relationships with the universities and continue our targeted sponsorship of business school awards and scholarships at Edith Cowan University, Murdoch University, Notre Dame and the University of WA. The Auditor General enjoys his regular involvement at student events where he speaks about the importance of public sector audit.

Our Human Resources intern from Edith Cowan University (ECU) completed an initial placement of 100 hours, starting in July 2015. The success of that period resulted in a request for a second placement of 600 hours, from February to June 2016.

Unpaid placements promote us as a potential employer, enhancing our relationships with the universities, as well as rewarding participants with credits in their units of study.

Our long-standing relationship with ECU for student placements in our Information Systems Audit branch continues to deliver mutual benefit through students developing and enhancing software; drafting management letters; and analysing and tracking systems with extranet facilities. High-end exposure to complex IT environments is a unique opportunity we are able to offer to these students.

Performance development and review

We are now experiencing the results of the review undertaken in 2014-15 of our performance development and review (PDR) tool and the associated training on effective performance management and review techniques.

Managers are increasingly aware that clear expectations are fundamental to meaningful and constructive performance reviews.

Staff survey

Every two years we conduct a voluntary employee survey that gives our people the opportunity to provide feedback and express their views on various aspects relating to how well the office functions. The survey was conducted in April 2016 and 65% of our employees participated. Most pleasing was 94% feel encouraged to use initiative and apply professional judgement in their job and 83% agree that their job allows them to use their skills, knowledge and abilities.

The feedback received through the survey provides valuable information and identifies areas where we can make improvements. We share the survey results with our people, as well as the actions and strategies to address issues identified.

Code of conduct

Our commitment to the highest standards of corporate governance requires all employees to acknowledge their understanding of and commitment to the Office's Code of Conduct annually. They must also comply with our legislation, internal policies, professional standards of conduct and our Code of Conduct.

The Code of Conduct specifies appropriate standards of employee behaviour, with direct relevance to the Office's unique role and responsibilities. A signed declaration acknowledges the employees unique personal and professional obligations of working with the Office and their continuing compliance with the code's requirements.

Grievance resolution

While we currently publish the names and contact details of four employees trained in grievance resolution on our intranet and on posters around the Office, we have additional trained resources in our human resources area. The availability of these resources is regularly promoted to all employees.

Occupational safety and health

Business Services has day-to-day responsibility to ensure that the workplace, facilities, equipment and systems do not expose employees to hazard. The Audit and Risk Management Committee, which reports to the Executive Management Group, monitors trends, maintaining awareness of serious issues and being satisfied that risk management is timely and appropriate.

All new employees receive information and instruction on their obligations and responsibilities under our occupational safety and health (OSH) and injury management policies as part of the induction process. All OSH documentation is readily available on our intranet, including:

- Occupational Safety and Health Policy
- Management of Ill or Injured Workers Policy
- Workers Compensation Guides
- Injury Management and Return to Work Program
- Incident and Accident Report Forms.

We deliver training to ensure an acceptable, measurable level of OSH awareness by registering all employees for online OSH and injury management training. There are two different levels of training – one for non-supervisory employees and a second specifically for supervisors and managers. Through monitoring and reporting to Executive on training completion rates we can identify areas for further training. This year we specifically addressed understanding mental health and mental illness in the workplace. Our performance in 2015-16 on occupational safety, health and injury management is reported on page 103.

Wellness committee

Our Wellness Committee encourages healthy activities and general wellbeing across the Office. This year the committee organised a number of wellness initiatives, which the Office supported, including:

- group Blood Donor days
- new employees ergonomically assessed and specialised one-on-one ergonomic assessments by request
- a wellness calendar for employee health and fitness events
- annual flu vaccination program
- an online First Aid training program
- guest speakers at our professional development days.

The Office also actively promotes various resources and local promotions including:

- Lifeline WA's Out of the Shadows and into the Light walk
- free bicycle checks by Vault Cycles
- Stress Down Day and the Health and Fitness Expo
- CSIRO Total Wellbeing Diet and a nutrition labels Webinar
- yoga classes, HBF Fun Run and Bike Week
- monthly e-magazine Well at Work.

Employee suggestions and ideas

Our online employee suggestion box continues to be a popular communication tool. The suggestion box is easily accessible through the intranet and employees can ask any questions or make suggestions on issues relating to the Office. Responses are coordinated and posted on the suggestion board for all employees to view.

We also have an online idea box, known as the innovation wiki that employees can use to share and build on others' innovation ideas. The Office's Innovation team has progressively developed the wiki and it has proven to be a popular way for employees to share and discuss ideas that they may not otherwise know what to do with.

The Innovation team's main aim is to establish innovation as an accepted part of Office culture. The team is currently working on establishing a clearer link between our strategic planning processes and innovative thinking. The idea is to encourage our employees to think beyond business when developing strategic plan initiatives.

Employee assistance program

This highly valued service offers independent counselling, advice and support to all employees and their immediate families.

De-identified reporting is provided to the Executive Management Group annually on program uptake. Based on the areas of support provided, trends are analysed and remedial actions such as awareness raising, health and wellbeing promotion and training are considered.

Office forums

We continue to conduct Office forums four times a year. These forums are whole-of-office gatherings used to:

- inform employees of current or emerging issues
- share relevant performance information such as how we are performing against our targets, as well as areas where additional effort may be required
- acknowledge the achievements of the different business units
- share relevant employee matters including employee movements, transfers and new appointments, as well as personal news relating to engagements, weddings and babies
- hear from employees, especially those on inter-office exchanges from other countries or those returning from exchanges, to share lessons learned.

In the first forum of each year, we invite our financial audit graduates from the previous year to present a review of their first years' experience as graduate auditors. The results are often humorous and always insightful. In the final forum of each year, we invite a guest speaker to provide an inspirational, motivational or light-hearted end-of-year session.

Doing our bit for charity

We have long participated in fundraising activities and we pride ourselves on doing our bit for charity. Throughout the year various activities are held but each year we choose one main fundraising activity. This year our big fundraiser was Jeans for Genes Day.

Social club

The Social Club entered a new phase in 2016 and from the Annual General Meeting in March coordinated an Autumn Breakfast to kick off a year of increased social activities. Key events during 2015 included an end of financial year lunch, a number of social sundowners and the jewel in the crown – the end of year celebration lunch.

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Our Governance



We are committed to good governance (page 56)



Three internal assessments undertaken (page 58)



Positive results from independent review of our reports (page 58)

Governance

The Office of the Auditor General is committed to achieving and demonstrating good governance. In monitoring and assessing our own performance, we have found the Public Sector Commission's Good Governance Guide a valuable tool for assisting us to achieve a high standard of organisational performance.

Table 20 lists the nine key governance principles of the Good Governance Guide and references to pages in this report showing how we applied the principles.

Governance principle	Where to find it in this report
1 Government and public sector relationship	
The organisation's relationship with the government is clear.	Pages 4 and 16
2 Management and oversight	
The organisation's management and oversight is accountable and has clearly defined responsibilities.	Pages 12, 13 and 57
3 Organisational structure	
The organisation's structure serves its operations	Pages 12 and 57
4 Operations	
The organisation plans its operations to achieve its goals	Pages 14 and 106
5 Ethics and integrity	
Ethics and integrity are embedded in the organisation's values and operations.	Pages 5, 14 and 59
6 People	
The organisation's leadership in people management contributes to individual and organisational achievements.	Pages 47 to 53
7 Finance	
The organisation safeguards financial integrity and accountability.	Pages 57 and 63
8 Communication	
The organisation communicates with all parties in a way that is accessible, open and responsive.	Pages 25 to 27, 30, 42 to 45
9 Risk management	
The organisation identifies and manages its risks.	Page 57

Table 20: Good Governance guide references

Key governance arrangements

Executive Management Group

Our Executive Management Group (EMG) is our team of senior executives who plan, manage and lead our business. EMG sets the strategic direction and organisational values that define the activities of our Office. Chaired by the Auditor General, EMG meets monthly and holds informal weekly meetings.

Strategic planning meetings are generally held two to three times per year where EMG discuss strategic and tactical matters. EMG monitors the implementation of our strategies and measure performance against targets. In February 2016, EMG approved the new strategic plan that provides clear direction to Executive and staff.

A number of committees provide operational and administrative support to EMG. The committees have a multiple role of governance, inter-office engagement and employee development. They include:

Audit and Risk Management Committee

Our Audit and Risk Management Committee meets regularly to improve the effectiveness of internal audit, external audit and risk management. Professor David Gilchrist, is the committee's independent chair.

The key responsibilities of the committee are:

- coordination of our internal audit program
- oversee and manage our actions taken to address quality assurance findings and risk registers
- oversee our Business Continuity Management Program and treatment action plans.

Information and Communication Technology Committee

Our Information and Communication Technology (ICT) Committee, meets regularly to discuss ICT projects, activities, opportunities and risks across the Office.

The focus areas of this committee include:

- the long-term plans and directions of all corporate systems
- progress on all strategic ICT related projects
- capital work funding submissions and reporting.

Other committees

Several other committees provide focused advice and support EMG. These include:

- Office Consultative Committee
- Professional Development Committee
- methodology user groups for financial audits, performance audits and key performance indicator audits. Each group provides advice on the need for changes to the methodology and assists with the implementation of the changes.

Internal and external reviews

We are often asked 'who audits the Auditor General'... and the answer is, many people do!

Our Office is subject to various review processes, which we value as they provide us with assurance that our processes are effective, efficient and evolving.

The following section describes the internal assessments we undertook of ourselves. Elsewhere in this report are details of external reviews of the Office.

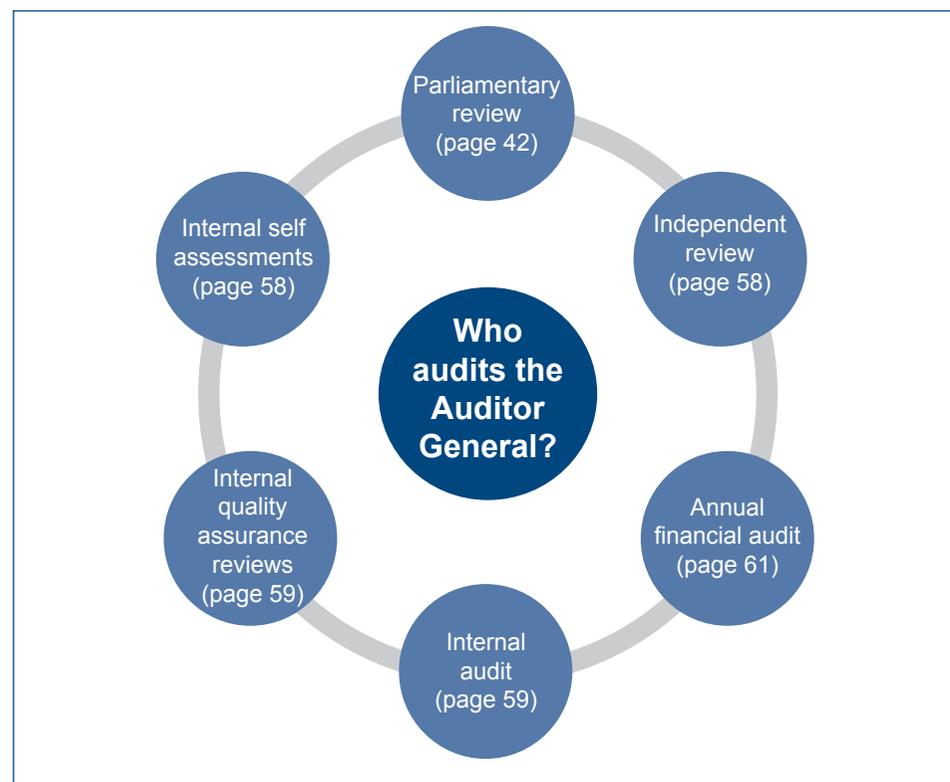


Figure 7: Reviews of our Office in 2015-16

Internal self-assessments

Many of the audits we conduct of other agencies also have relevance to ourselves, especially our across government benchmarking audits. For this reason, we self-assess our own internal processes and controls against the audit criteria used for these audits. We address any improvement opportunities coming out of these reviews as soon as practicable.

In 2015-16, our Business Services unit self-assessed our performance against the criteria used in the audits of:

- Verifying Employee Identity and Credentials (page 36)
- Agency Gift Registers (page 38)
- Controls Over Employee Terminations (page 39)

While our self-assessments all confirmed we had controls in place and our processes were complicit, it identified areas where internal policies relating to our Gift Register required updating.

Independent review of our reports

In September 2015, we engaged independent reviewers to assess four of our performance reports against seven criteria and a range of sub criteria. The reviewers were engaged through the Australasian Council of Auditors-General and had a diverse but highly relevant background for such assessments.

The reviewers gave very positive assessments across most areas with the average combined score for all reports 3.4 out of a possible 4. For each report particularly high ratings were received for communication and reporting, conclusions, and recommendations.

Internal audit

Our internal auditors (2020 Global) provided their 2015-16 report on 6 May 2016. This year, five key areas were audited (Table 21), which were developed in consultation with our Executive Management Group, Audit and Risk Management Committee, and external auditors.

Overall, the report showed a pleasing assessment of compliance and controls, with 2020 Global commenting that:

Overall, there was a high level of compliance and good controls evident in all scope areas. The OAG's policy and procedures frameworks were current and well documented. OAG staff were knowledgeable and skilled in their areas of responsibility, management were receptive to our recommendations during the audit, some of which were immediately implemented by management.

We have already implemented the majority of the recommendations, with the remainder to be completed by December 2016.

Area	Rating	Recommendations		
		Total	Outstanding	Completed
Employee qualifications	Minor	1		1
Staff secondment payments	Minor	–	–	–
Business Continuity Management Plan	Minor	5	3	2
Management of leave records	Minor	2		2
Software licensing	Minor	3	1	2
Prior findings	Significant	1		1
	Moderate	6	1	5
	Minor	9	3	6

Table 21: Summary of recommendations of 2015-16 internal audit

Quality, efficiency and continuous improvement

Quality framework and Quality Assurance Plan

Quality is fundamentally important to everything we do. The Office has a framework that establishes and maintains quality over the audit work we perform. We have instilled this framework throughout our workforce, sending a strong message that audit quality is more than meeting professional standards.

Our framework includes a Quality Assurance Plan, which our Executive Management Group approves on an annual basis. Our Technical and Audit Quality business unit is responsible for facilitating the plan and for reporting results to the Executive Management Group. The Audit and Risk Management Committee oversees the implementation of accepted recommendations.

We link this plan to our strategic plan and it plays a vital role for our Office in terms of:

- internal control
- risk management
- corporate governance
- compliance monitoring.

Examples of our ongoing quality assurance activities include:

Inspection of engagement files – to ensure a quality audit is performed and continuous improvement opportunities and good practice is identified and shared with the Office.

Review of audit methodologies – to ensure that they continue to comply with the auditing standards.

Review of audit files of contract audit firms – to ensure the quality of contract audit firms who perform audit work on our behalf.

Review of published information of contract audit firms – to ensure that the results of public information including quality assurance reviews performed by regulatory bodies and membership organisations are known by our Office.

Liaison with contract audit firms – to seek information about the firms on aspects of their business that may be topical or may represent a particular risk for the current year.

Engagement Quality Control Reviews (EQCR) – to evaluate and report on the implementation of the EQCR process in the Office.

Independence – to evaluate and report on the implementation of the Conflict of Interest Policy.

External Peer Review Program – to get an independent opinion as to the quality of our audits that we perform. This may be from another audit office in Australia or from an independent reviewer.

Training is a critical part of the Quality Assurance Plan. We have delivered specific training sessions on ‘what is audit quality?’, ‘the importance of audit quality’ and ‘the role and responsibility for audit quality’.

Office efficiency and effectiveness

We strive to be efficient and effective in all areas of our business. Annually, we prepare an Efficiency and Effectiveness Plan, which is aligned with our strategic plan. This plan includes a number of projects designed to identify ways in which we can operate more efficiently based on our current resourcing and budget.

An example of projects included in the plan for 2016 is to identify contemporary audit approaches used by our contract audit firms that could be used to improve our financial audit efficiency.

Focus on continuous improvement

Through our continuous improvement policy we aim to adopt continuous improvement as a regular part of what we do and how we conduct ourselves, rather than as an afterthought or an additional activity. In this way, we have embedded continuous improvement within our culture and our business processes through the cycle of planning, execution and review.

Activities that contribute to our continuous improvement process include:

- **Post project reviews** – these are conducted following the tabling of each audit report and include the examination of lessons learnt throughout the project and suggested improvements.
- **Audit methodology user groups** – our audit methodologies are key to what we do, how we do it and why. The user groups meet regularly to ensure that the methodologies are compliant with auditing standards and to identify any best practice or continuous improvement opportunities we could implement.



Financial Statements, Performance Indicators, Other Financial Disclosures



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Certification of Financial Statements

For the year ended 30 June 2016

The accompanying financial statements of the Office of the Auditor General have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2016 and the financial position as at 30 June 2016.

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



JAMES DEW CA
CHIEF FINANCE OFFICER
1 August 2016



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
1 August 2016

Independent Auditor's Opinion

Independent Auditor's Report

To the Parliament of Western Australia
Office of the Auditor General

Report on the Financial Statements

We have audited the financial statements of the Office of the Auditor General ("the Office").

The financial statements comprise the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Statement of Consolidated Account Appropriations and Income Estimates for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor General's Responsibility for the Financial Statements

The Auditor General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Auditor General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the financial statements based on our audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office of the Auditor General's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Office of the Auditor General, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.



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- Accountants
- Auditors
- Advisors

Independent Auditor's Opinion

Independent Auditor's Report To the Parliament of Western Australia Office of the Auditor General (Continued)



Opinion

In our opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Office of the Auditor General as at 30 June 2016 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

We have audited the controls exercised by the Office of the Auditor General during the year ended 30 June 2016.

Controls exercised by the Office of the Auditor General are those policies and procedures established by the Auditor General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Auditor General's Responsibility for Controls

The Auditor General is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the controls exercised by the Office of the Auditor General based on our audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Office of the Auditor General complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the controls exercised by the Office of the Auditor General are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2016.

Independent Auditor's Opinion

Independent Auditor's Report To the Parliament of Western Australia Office of the Auditor General *(Continued)*



Report on the Key Performance Indicators

We have audited the key performance indicators of the Office of the Auditor General for the year ended 30 June 2016.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Auditor General's Responsibility for the Key Performance Indicators

The Auditor General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Auditor General determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the key performance indicators based on our audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Office of the Auditor General's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the key performance indicators of the Office of the Auditor General are relevant and appropriate to assist users to assess the Office's performance and fairly represent indicated performance for the year ended 30 June 2016.

Independent Auditor's Opinion

Independent Auditor's Report
To the Parliament of Western Australia
Office of the Auditor General (Continued)



Independence

In conducting this audit, we have complied with the independence requirements of Australian Auditing and Assurance Standards and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Office of the Auditor General for the year ended 30 June 2016 included on the Office's website. The Auditor General is responsible for the integrity of the Office's website. This audit does not provide assurance on the integrity of the Office's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

BENTLEYS
Chartered Accountants

DOUG BELL
Director

Dated at Perth this 1st day of August 2016

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
COST OF SERVICES			
Expenses			
Employee benefits expense	2	15,330	15,661
Supplies and services	3	6,313	6,205
Depreciation and amortisation expense	4	391	527
Accommodation expenses	5	2,227	2,255
Other expenses	6	70	55
Total cost of services		24,331	24,703
Income			
<i>Revenue</i>			
User charges and fees	7	18,310	17,305
Other revenue	8	36	41
Total Revenue		18,346	17,346
<i>Gains</i>			
Gain on disposal of non-current assets	9	–	16
Total Gains		–	16
Total income other than income from State Government		18,346	17,362
NET COST OF SERVICES		5,985	7,341
Income from State Government			
Service appropriation	10	7,044	6,902
Services received free of charge		521	508
Total income from State Government		7,565	7,410
SURPLUS FOR THE PERIOD		1,580	69
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,580	69

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

Statement of Financial Position

As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	21	4,886	3,535
Restricted cash and cash equivalents	11, 21	–	538
Receivables	12	7,984	7,497
Amounts receivable for services	13	390	314
Other current assets	14	423	331
Total Current Assets		13,683	12,215
Non-Current Assets			
Receivables	12	5	9
Amounts receivable for services	13	2,419	2,088
Property, plant and equipment	15	191	394
Intangible assets	16	193	201
Total Non-Current Assets		2,808	2,692
TOTAL ASSETS		16,491	14,907
LIABILITIES			
Current Liabilities			
Payables	18	962	1,075
Provisions	19	2,823	2,801
Total Current Liabilities		3,785	3,876
Non-Current Liabilities			
Provisions	19	963	1,168
Total Non-Current Liabilities		963	1,168
TOTAL LIABILITIES		4,748	5,044
NET ASSETS		11,743	9,863
EQUITY			
Contributed equity	20	8,081	7,781
Accumulated surplus		3,662	2,082
TOTAL EQUITY		11,743	9,863

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000
Balance at 1 July 2014	20	7,481	2,013	9,494
Surplus		–	69	69
Total comprehensive income for the period		–	69	69
Transactions with owners in their capacity as owners:				
Capital appropriations		300	–	300
Total		300	–	300
Balance at 30 June 2015		7,781	2,082	9,863
Balance at 1 July 2015	20	7,781	2,082	9,863
Surplus		–	1,580	1,580
Total comprehensive income for the period		–	1,580	1,580
Transactions with owners in their capacity as owners:				
Capital appropriations		300	–	300
Total		300	–	300
Balance at 30 June 2016		8,081	3,662	11,743

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

Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		6,323	6,208
Capital appropriations		300	300
Holding Account drawdown		314	297
Net cash provided by State Government		6,937	6,805
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(15,982)	(15,059)
Supplies and services		(6,063)	(6,107)
Accommodation		(1,724)	(1,752)
GST payments on purchases		(766)	(788)
GST payments to taxation authority		(1,257)	(1,114)
Other payments		(70)	(55)
Receipts			
User charges and fees		17,864	17,163
GST receipts on sales		1,900	1,749
GST receipts from taxation authority		118	157
Other receipts		36	41
Net cash used in operating activities	21	(5,944)	(5,765)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(180)	(140)
Receipts			
Proceeds from sale of non-current assets		–	16
Net cash used in investing activities		(180)	(124)
Net increase/(decrease) in cash and cash equivalents		813	916
Cash and cash equivalents at the beginning of the period		4,073	3,157
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	4,886	4,073

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

Statement of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2016

	2016 Estimate \$'000	2016 Actual \$'000	Variance \$'000	2016 Actual \$'000	2015 Actual \$'000	Variance \$'000
DELIVERY OF SERVICES						
Item 90 Net amount appropriated to deliver services	6,310	6,310	–	6,310	6,188	122
Amount Authorised by Other Statutes						
– <i>Salaries and Allowances Act 1975</i>	734	734	–	734	714	20
Total appropriations provided to deliver services	7,044	7,044	–	7,044	6,902	142
CAPITAL						
Item 150 Capital appropriations	300	300	–	300	300	–
GRAND TOTAL	7,344	7,344	–	7,344	7,202	142
DETAILS OF EXPENSES BY SERVICE						
Public Sector Auditing	23,986	24,331	345	24,331	24,703	(372)
Total Cost of Services	23,986	24,331	345	24,331	24,703	(372)
Less Total Income	(17,260)	(18,346)	(1,086)	(18,346)	(17,362)	(984)
Net Cost of Services	6,726	5,985	(741)	5,985	7,341	(1,356)
Adjustments	318	1,059	(741)	1,059	(439)	1,498
Total appropriations provided to deliver services	7,044	7,044	–	7,044	6,902	142
CAPITAL EXPENDITURE						
Purchase of non-current physical assets	614	180	(434)	180	140	40
Adjustments for other funding sources	(314)	120	434	120	160	(40)
Capital appropriations	300	300	–	300	300	–

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 25 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2016 and between the actual results for 2016 and 2015.

Notes to the Financial Statements

For the year ending 30 June 2016

Note 1: Significant accounting policies

Significant accounting policies are shown in the notes to which they relate except as follows:

(a) Statement of compliance

The Office of the Auditor General (the Office) is a not-for-profit reporting entity and its general purpose financial statements have been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. The *Financial Management Act 2006* (Western Australia) and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards. Where modification is required and has had a material or significant financial effect upon the reported results, details are disclosed in the notes to the financial statements.

(b) New and revised Accounting Standards

The Office has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2016. Full disclosure of changes in accounting policies and estimates is included at note 31.

(c) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000). Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

(d) Reporting entity

Mission

The Office's mission is to help improve public sector performance and accountability by reporting independently to Parliament.

The Office is partly funded by Parliamentary appropriation. It also charges for certain audit services to agencies and fees are based on full cost recovery. The financial statements encompass all funds through which the Office controls resources to carry out its functions.

Services

The Office provides the following service: Public Sector Auditing.

This comprises the external audit of the Western Australian public sector through audits of financial statements, controls and key performance indicators and audits of efficiency and effectiveness of public sector operations.

(e) Related bodies and affiliated bodies

The Office does not have any related bodies and affiliated bodies.

(f) Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Annual leave and long service leave

The Office uses short-hand measurement techniques for annual leave and long service leave provisions recommended by the actuary. The actuary periodically performs an actuarial valuation to validate the short-hand measurement techniques. The latest actuarial valuation was performed at 5 May 2016. Several estimations and assumptions used in calculating the Office's annual leave and long service leave provisions include expected future salary rates, discount rates, employee retention rates and timing of expected future payments. Changes in these estimations and assumptions may impact on the suitability of the short-hand measurement techniques and the carrying amounts of the annual leave and long service leave provisions. Refer to note 19.

Work-in-progress percentage of completion as at 30 June 2016

For audits conducted in-house, the percentage completed is estimated from the percentage of budget hours completed.

For contract audits, the percentage completed is estimated on the basis of actual invoices received from contract audit firms, supplemented by their estimate of subsequent work completed but not yet billed. Refer to note 7.

	2016	2015
	\$'000	\$'000

Note 2. Employee benefits expense

Accounting policy

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. The Office makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. All the superannuation schemes are defined contribution plans.

The Gold State Superannuation Scheme (GSS) administered by GESB is a defined contribution plan for Office purposes because the concurrent contributions (defined contributions) made by the Office to GESB extinguishes the Office's obligations to the related superannuation liability.

The Office has no liabilities under the Pension Scheme (a defined benefit pension scheme closed to new members since 1987) or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Office to the GESB.

Superannuation expense is recognised in profit or loss.

Financial disclosure

Wages and salaries ^(a)	13,950	14,318
Superannuation – defined contribution plans	1,380	1,343
	15,330	15,661

(a) Includes the value of fringe benefits provided to employees plus the fringe benefits tax component and leave entitlements, including superannuation contribution component.

	2016	2015
	\$'000	\$'000

Note 3. Supplies and services

Contracted audit work	4,601	4,353
Other services and contracts	287	391
Other staffing costs	211	223
Repairs and maintenance	539	517
Travel and accommodation	234	187
Administration	163	185
Consumables	34	102
Lease expenses	115	122
Communications	122	121
Advertising	3	4
Other	4	–
	6,313	6,205

Note 4 Depreciation and amortisation expense

Accounting policy

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

Office and computer equipment – 2 to 10 years.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets have a finite useful life and zero residual value. The expected useful lives for intangible assets are:

Software – 3 years.

Financial disclosure

Depreciation – office and computer equipment	250	390
Amortisation – intangible assets	141	137
	391	527

	2016	2015
	\$'000	\$'000
Note 5. Accommodation expenses		
Office lease rentals ^(a)	1,702	1,702
Office parking	107	81
Monthly outgoings	418	472
	2,227	2,255

(a) Refer to note 23 'Commitments'

Note 6. Other expenses

Employment on-costs	30	23
Audit fee	40	32
	70	55

	2016	2015
	\$'000	\$'000

Note 7. User charges and fees

Accounting policy

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods – Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Provision of services – Revenue is recognised by reference to the stage of completion of the transaction. Refer to Note 1(f) for the disclosure of key estimates in relation to work-in-progress percentage of completion.

Net appropriations – The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. The Office retained \$18.3 million in 2016 (\$17.3m in 2015) from the following:

- Assurance audit fees
- Government vehicle scheme
- Other Office revenue.

Financial disclosure

Audit fees	18,310	17,305
	18,310	17,305

	2016 \$'000	2015 \$'000
Note 8. Other revenue		
Contributions for the use of motor vehicle	26	21
Miscellaneous	10	20
	36	41

Note 9. Net gain/(loss) on disposal of non-current assets

Accounting policy

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

Financial disclosure

Net proceeds from disposal of non-current assets

Office and computer equipment	–	16
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Carrying amount of non-current assets disposed of

Office and computer equipment	–	–
	–	16

	2016 \$'000	2015 \$'000
Note 10. Income from State Government		
Accounting policy		

Service appropriations are recognised as revenues in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited into the bank account or credited to the 'Amounts receivable for services (Holding Account)' held at Treasury.

Assets or services received free of charge or for nominal cost that the Office would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Financial disclosure

Appropriation received during the period:

Service appropriation ^(a)	7,044	6,902
	7,044	6,902

Services received free of charge from other State government agencies during the period:

State Solicitor's Office	18	5
Department of Finance	503	503
	521	508
	7,565	7,410

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (Holding Account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

	2016	2015
	\$'000	\$'000

Note 11. Restricted cash and cash equivalents

Accounting policy

The accrued salaries suspense account consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

Financial disclosure

Current ^(a)	–	538
	<u>–</u>	<u>538</u>

(a) Funds held in the accrued salaries suspense account for the purpose of meeting the 27th pay in a financial year that occurs every 11 years. A 27th pay was paid in 2015-16. The next 27th pay year is 2026-27.

Note 12. Receivables

Accounting policy

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

	2016	2015
	\$'000	\$'000

Note 12. Receivables (continued)

Financial disclosure

Current

Accrued revenue	7,798	7,300
Receivables	–	14
GST receivables	118	157
Amounts receivable for employees seconded	64	10
Salary over-payments	4	16
Total	<u>7,984</u>	<u>7,497</u>

Non-current

Salary over-payments	5	9
Total	<u>5</u>	<u>9</u>

Note 13. Amounts receivable for services (Holding Account)

Accounting policy

The Office receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable).

The accrued amount receivable is restricted as it is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

Financial disclosure

Current	390	314
Non-current	2,419	2,088
	<u>2,809</u>	<u>2,402</u>

	2016	2015
	\$'000	\$'000

Note 14. Other assets

Current

Prepayments	423	331
Total current	423	331

Note 15. Property, plant and equipment

Accounting policy

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost is depreciated over their useful lives. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income other than where they form part of a group of similar items which are significant in total.

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

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Financial disclosure

Office and Computer Equipment

At cost	1,773	1,786
Accumulated depreciation	(1,582)	(1,392)
	191	394

	2016	2015
	\$'000	\$'000

Note 15. Property, plant and equipment (continued)

Reconciliations of the carrying amounts of property, plant, and equipment at the beginning and end of the reporting period are set out in the table below:

	Office and Computer Equipment \$'000
2016	
Carrying amount at start of period	394
Additions	47
Depreciation	(250)
Carrying amount at end of period	191
2015	
Carrying amount at start of period	750
Additions	34
Depreciation	(390)
Carrying amount at end of period	394

Note 16. Intangible assets

Accounting policy

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost is amortised over their useful lives. Costs incurred below these thresholds are immediately expensed direct to the Statement of Comprehensive Income. Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset.

	2016	2015
	\$'000	\$'000

Note 16. Intangible assets (continued)

Accounting policy (continued)

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

Financial disclosure

Computer software

At cost	1,244	1,159
Accumulated amortisation	(1,100)	(958)
Carrying amount at the end of the period	144	201
Computer software in development – at cost	49	–
Total computer software	193	201

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the reporting period are set out in the table below:

	Computer Software \$'000
2016	
Carrying amount at start of period	201
Additions ^(a)	133
Amortisation expense	(141)
Carrying amount at end of period	193
2015	
Carrying amount at start of period	232
Additions	106
Amortisation expense	(137)
Carrying amount at end of period	201

(a) Additions include \$49,000 for computer software in development.

	2016	2015
	\$'000	\$'000

Note 17. Impairment of assets

Accounting policy

Property, plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period.

Financial disclosure

There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2016 and 30 June 2015.

Note 18. Payables

Accounting policy

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to its fair value.

Payables are recognised at the amounts payable when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

Financial disclosure

Current

Accrued expenses	171	90
Accrued salaries	–	451
Paid parental leave	–	4
Amounts payable for employees seconded	41	19
GST payable	–	5
Work in progress contractor audit work	750	506
Total current	962	1,075

2016	2015
\$'000	\$'000

Note 19. Provisions

Accounting policy

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employees benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is based on remuneration rates current as at the end of the reporting period. An actuarial assessment of annual leave undertaken by PricewaterhouseCoopers Actuaries at 5 May 2016 determined that the liability using the short-hand measurement technique above was not materially different from the liability using the present value of expected future payments. The provision for annual leave is classified as a current liability as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Refer to Note 1(f) for the disclosure of key estimates in relation to annual leave.

2016	2015
\$'000	\$'000

Note 19. Provisions (continued)

Long service leave

A liability for long service leave is recognised after an employee has completed 4 years (2015: 3 years) of service based on remuneration rates current as at the end of the reporting period. An actuarial assessment of long service leave undertaken by PricewaterhouseCoopers Actuaries at 5 May 2016 determined that the liability measured using the short-hand measurement technique above was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Office's experience of employee retention and leave taken. Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Office has an unconditional right to defer settlement of the liability until the employee has completed the requisite years of service.

Refer to Note 1(f) for the disclosure of key estimates in relation to long service leave.

Deferred leave

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional 12 months leave in the 5th year of the agreement. The provision recognises the value of salary set aside for employees to be used in the 5th year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Purchased leave

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Employment on-costs

Employment on-costs including workers' compensation insurance, are not employee benefits and are included as part of 'Other expenses'. The related liability is included in 'Employment on-costs provision'.

	2016 \$'000	2015 \$'000
Note 19. Provisions (continued)		
Financial disclosure		
Current		
<i>Employee benefits provision</i>		
Annual leave ^(a)	1,165	1,260
Long service leave ^(b)	1,610	1,413
Purchased leave ^(c)	35	59
Deferred salary scheme ^(d)	–	57
	2,810	2,789
<i>Other provisions</i>		
Employment on-costs	13	12
	13	12
	2,823	2,801
Non-Current		
<i>Employee benefits provision</i>		
Long service leave ^(b)	959	1,163
	959	1,163
<i>Other provisions</i>		
Employment on-costs	4	5
	4	5
	963	1,168

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	847	848
More than 12 months after the end of the reporting period	318	412
	1,165	1,260

	2016 \$'000	2015 \$'000
Note 19. Provisions (continued)		
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	527	634
More than 12 months after the end of the reporting period	2,042	1,942
	2,569	2,576
(c) Purchased leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	35	59
More than 12 months after the end of the reporting period	–	–
	35	59
(d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	–	57
More than 12 months after the end of the reporting period	–	–
	–	57

	2016	2015
	\$'000	\$'000

Note 20. Equity

Accounting policy

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

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions.

Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

Financial disclosure

Contributed equity

Balance at start of period	7,781	7,481
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Contributions by owners

Capital appropriation	300	300
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Total contributions by owners	300	300
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Balance at end of period	8,081	7,781
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Accumulated surplus

Balance at start of period	2,082	2,013
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Result for the period	1,580	69
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Balance at end of period	3,662	2,082
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Total Equity at end of period	11,743	9,863
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	2016	2015
	\$'000	\$'000

Note 21. Notes to the Statement of Cash Flows

Accounting policy

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of 3 months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

Financial disclosure

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	4,886	3,535
Restricted cash and cash equivalents	–	538
(note 11 'Restricted cash and cash equivalents')		
	4,886	4,073

	2016	2015
	\$'000	\$'000

Note 21. Notes to the Statement of Cash Flows (continued)

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

Net cost of services	(5,985)	(7,341)
Non-cash items		
Depreciation and amortisation expense	391	527
Services received free of charge	521	508
Net (gain)/loss on disposal of non-current assets	–	(16)
(Increase)/decrease in assets		
Current receivables ^(a)	(579)	41
Non-current receivables	4	4
Increase/(decrease) in liabilities		
Current payables ^(a)	(69)	29
Current provisions	22	250
Non-current provisions	(205)	294
Net GST receipts/(payments) ^(b)	(5)	5
Change in GST in receivables/payables ^(c)	(39)	(66)
Net cash provided by/(used in) operating activities	(5,944)	(5,765)

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transactions.

(c) This reverses out the GST in receivables and payables.

Note 22. Services provided free of charge

During the year audit services were provided by the Office free of charge to the following departments, statutory authorities and request audits:

Chowerup Cemetery Board	3	3
South Caroling Cemetery	4	–
	7	3

	2016	2015
	\$'000	\$'000

Note 23. Commitments

Accounting policy

The Office holds operating leases for office accommodation, certain equipment and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased items.

Financial disclosure

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Within 1 year	2,395	2,335
Later than 1 year and not later than 5 years	2,424	4,754
Later than 5 years	–	–
	4,819	7,089

The Office has entered into a memorandum of understanding with the Department of Finance's Building Management and Works division for leasing floor space at Albert Facey House. The memorandum of understanding is not a legally binding agreement, however, it has been agreed that all parties will comply with the terms and conditions as if they were legally enforceable obligations. The memorandum of understanding covers a 3 year occupancy period from 2011-12 with an option to renew occupancy for an additional 3 years. This option was recently exercised by Department of Finance. Accordingly, the revised lease expiry date is now 30 June 2018.

Rent is payable monthly in arrears. Contingent rent provisions within the memorandum of understanding require that the minimum lease payments shall be increased by any increase in market indices from 2015-16.

2016	2015
\$'000	\$'000

Note 23. Commitments (continued)

The commitments below are inclusive of GST where relevant.

Capital expenditure commitments

Capital expenditure commitments for development of a new human resources management information system additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	124	–
Later than 1 year and not later than 5 years	–	–
Later than 5 years	–	–
	124	–

Other expenditure commitments

Audit services contracted through private sector audit firms at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	3,281	2,283
Later than 1 year and not later than 5 years	1,716	251
Later than 5 years	–	–
	4,997	2,534

Recurrent expenditure commitments for contracted fortnightly payroll processing at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	37	–
Later than 1 year and not later than 5 years	96	–
Later than 5 years	–	–
	133	–

2016	2015
\$'000	\$'000

Note 24. Events occurring after the end of the reporting period

There were no events occurring after the end of the reporting period that warrant disclosure.

Note 25. Explanatory statement

All variances between estimates (original budget) and actual results for 2016, and between the actual results for 2016 and 2015 are shown below. Narratives are provided for major variances, which are greater than:

- 5% and \$480,000 for the Statements of Comprehensive Income and Cash Flows
- 5% and \$298,000 for the Statement of Financial Position.

	Variance Note	Estimate 2016 \$'000	Actual 2016 \$'000	Actual 2015 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2016 and 2015 \$'000
Statement of Comprehensive Income						
Expenses						
Employee benefits expense	1	13,806	15,330	15,661	1,524	(331)
Supplies and services	2	7,055	6,313	6,205	(742)	108
Depreciation and amortisation expense		721	391	527	(330)	(136)
Accommodation expenses		2,222	2,227	2,255	5	(28)
Other expenses		182	70	55	(112)	15
Total cost of services		23,986	24,331	24,703	345	(372)
Income						
<i>Revenue</i>						
User charges and fees	3 a	17,260	18,310	17,305	1,050	1,005
Other revenue		–	36	41	36	(5)
Total Revenue		17,260	18,346	17,346	1,086	1,000
<i>Gains</i>						
Gain on disposal of non-current assets		–	–	16	–	(16)
Total Gains		–	–	16	–	(16)
Total income other than income from State Government		17,260	18,346	17,362	1,086	984
NET COST OF SERVICES		6,726	5,985	7,341	(741)	(1,356)
Income from State Government						
Service appropriation		7,044	7,044	6,902	–	142
Services received free of charge		467	521	508	54	13
Total income from State Government		7,511	7,565	7,410	54	155
SURPLUS FOR THE PERIOD		785	1,580	69	795	1,511
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		785	1,580	69	795	1,511

Note 25. Explanatory statement (continued)

	Variance Note	Estimate 2016 \$'000	Actual 2016 \$'000	Actual 2015 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2016 and 2015 \$'000
Statement of Financial Position						
ASSETS						
Current Assets						
Cash and cash equivalents	4 b	2,648	4,886	3,535	2,238	1,351
Restricted cash and cash equivalents	c	–	–	538	–	(538)
Receivables	5 d	8,743	7,984	7,497	(759)	487
Amounts receivable for services		390	390	314	–	76
Other current assets		535	423	331	(112)	92
Total Current Assets		12,316	13,683	12,215	1,367	1,468
Non-Current Assets						
Receivables		–	5	9	5	(4)
Amounts receivable for services	e	2,419	2,419	2,088	–	331
Property, plant and equipment		351	191	394	(160)	(203)
Intangible assets		427	193	201	(234)	(8)
Total Non-Current Assets		3,197	2,808	2,692	(389)	116
TOTAL ASSETS		15,513	16,491	14,907	978	1,584
LIABILITIES						
Current Liabilities						
Payables		693	962	1,075	269	(113)
Provisions		2,551	2,823	2,801	272	22
Total Current Liabilities		3,244	3,785	3,876	541	(91)
Non-Current Liabilities						
Provisions		874	963	1,168	89	(205)
Total Non-Current Liabilities		874	963	1,168	89	(205)
TOTAL LIABILITIES		4,118	4,748	5,044	630	(296)
NET ASSETS		11,395	11,743	9,863	348	1,880
EQUITY						
Contributed equity		8,081	8,081	7,781	–	300
Accumulated surplus		3,314	3,662	2,082	348	1,580
TOTAL EQUITY		11,395	11,743	9,863	348	1,880

Note 25. Explanatory statement (continued)

	Variance Note	Estimate 2016 \$'000	Actual 2016 \$'000	Actual 2015 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2016 and 2015 \$'000
Statement of Cash Flows						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation		6,323	6,323	6,208	–	115
Capital appropriations		300	300	300	–	–
Holding Account drawdown		314	314	297	–	17
Net cash provided by State Government		6,937	6,937	6,805	–	132
Utilised as follows:						
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	6 f	(14,251)	(15,982)	(15,059)	(1,731)	(923)
Supplies and services	7	(6,937)	(6,063)	(6,107)	874	44
Accommodation		(1,771)	(1,724)	(1,752)	47	28
GST payments on purchases	8	(1,800)	(766)	(788)	1,034	22
GST payments to taxation authority	9	–	(1,257)	(1,114)	(1,257)	(143)
Other payments		(182)	(70)	(55)	112	(15)
Receipts						
User charges and fees	10	16,383	17,864	17,163	1,481	701
GST receipts on sales		1,630	1,900	1,749	270	151
GST receipts from taxation authority		170	118	157	(52)	(39)
Other receipts		–	36	41	36	(5)
Net cash used in operating activities		(6,758)	(5,944)	(5,765)	814	(179)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets		(614)	(180)	(140)	434	(40)
Receipts						
Proceeds from sale of non-current assets		–	–	16	–	(16)
Net cash used in investing activities		(614)	(180)	(124)	434	(56)
Net increase/(decrease) in cash and cash equivalents		(435)	813	916	1,248	(103)
Cash and cash equivalents at the beginning of the period		3,083	4,073	3,157	990	916
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2,648	4,886	4,073	2,238	813

Note 25. Explanatory statements (continued)

Major estimate and actual variance narratives

1. Employee benefits expense exceeded estimates by \$1,524,000 (11.0%) as the Office was unable to achieve the Workforce Reform and Workforce Renewal savings targets imposed by Government. The Office's legislative obligation to undertake audits of the public sector continues to challenge its capacity to stay within approved salaries budgets. Serious and concerted efforts are being made however to achieve the employee benefits expense target.
2. Supplies and services expense was under estimates by \$742,000 (10.5%) due to underspends in services and contracts, consumables and other staffing costs.
3. User charges and fees exceeded estimates by \$1,050,000 (6.1%) due to additional fees charged to agencies where further audit work was required (as a result of agency shortcomings) as well as fees for additional audits required on the winding up of training institutes.
4. Current cash and cash equivalents exceeded estimates by \$2,238,000 (84.5%) predominantly due to higher user charges and fees receipts and lower payments for supplies and services. In addition, payments for the purchase of non-current assets were underspent as information system replacement projects were deferred to 2016-17.
5. Current receivables was under estimates by \$759,000 (8.7%) as accrued income (user charges and fees income recognised but not yet received) was lower than estimated.
6. Employee benefits payments exceeded estimates by \$1,731,000 (12.1%) as the Office was unable to achieve the Workforce Reform and Workforce Renewal savings targets imposed by Government. The Office's legislative obligation to undertake audits of the public sector continues to challenge its capacity to stay within approved salaries budgets. Serious and concerted efforts are being made however to achieve the employee benefits expense targets.
7. Supplies and services payments were under estimates by \$874,000 (12.6%) due to underspends in services and contracts, consumables and other staffing costs.
8. GST payments on purchases was under estimates by \$1,034,000 (57.4%) due to a difference in budget classification for GST payments. For the

purposes of the financial statements, GST payments on purchases and GST payments to taxation authority are reported separately. However, these 2 categories are reported jointly in the published budget papers.

9. GST payments to taxation authority exceeded estimates by \$1,257,000 (Budget: nil) due to a difference in budget classification for GST payments. For the purposes of the financial statements, GST payments on purchases and GST payments to taxation authority are reported separately. However, these 2 categories are reported jointly in the published budget papers.
10. User fees receipts exceeded estimates by \$1,481,000 (9.0%) due to additional fees charged to agencies where further audit work was required (as a result of agency shortcomings) as well as fees for additional audits required on the winding up of training institutes.

Major actual (2016) and comparative (2015) variance narratives

- a. User charges and fees increased by \$1,005,000 (5.8%) due to general escalation, additional fees charged to agencies where further audit work was required (as a result of agency shortcomings) as well as fees for additional audits required on the winding up of training institutes.
- b. Current cash and cash equivalents increased by \$1,351,000 (38.2%) predominantly due to higher user charges and fees receipts. In addition, payments for the purchase of non-current assets were underspent as information system replacement projects were deferred to 2016-17.
- c. Current restricted cash and cash equivalents decreased by \$538,000 (100.0%). The restricted cash and cash equivalents balance relates to the 27th pay which occurs every 11 years. A 27th pay was disbursed on 30 June 2016.
- d. Current receivables increased by \$487,000 (6.5%) predominantly due to a higher level of accrued income (user charges and fees income recognised but not yet received).
- e. Non-current amounts receivable for services increased by \$331,000 (15.9%) as additions to the Holding Account (depreciation expense) were higher than the amounts drawn down to fund asset replacement purchases.
- f. Employee benefits payments increased by \$923,000 (6.1%) predominantly due to disbursement of a 27th pay on 30 June 2016. A 27th pay occurs every 11 years.

2016	2015
\$'000	\$'000

Note 26. Financial instruments

Accounting policy

In addition to cash and cash equivalents, the Office has 2 categories of financial instruments: Loans and receivables; and Financial liabilities measured at amortised cost.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method. The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent remeasurement is not required as the effect of discounting is not material.

Financial disclosure

(a) Financial risk management objectives and policies

The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office. The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 26(b) 'Financial instruments disclosures' and note 12 'Receivables'.

Credit risk associated with the Office's financial assets is minimal because the main receivables are the amounts receivable for services (Holding Account) and audit receivables. The Office does not have any significant credit risk as services are provided only to government agencies. In addition, receivable balances are monitored on an ongoing basis with the result that the Office's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk, other than in respect of government agencies.

2016	2015
\$'000	\$'000

Note 26. Financial instruments (continued)

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

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

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income or the value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks. The Office is not exposed to interest rate risk because all cash and cash equivalents are non-interest bearing and the Office has no borrowings.

Note 26. Financial instruments (continued)

(b) Financial instrument disclosures

Credit risk

The following table discloses the Office's maximum exposure to credit risk and the ageing analysis of financial assets. The Office's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets (if any). The table is based on information provided to senior management of the Office.

The Office does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired					Impaired financial assets \$'000
			Up to 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	More than 5 years \$'000	
2016								
Cash and cash equivalents	4,886	4,886	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables ^(a)	7,871	7,855	7	-	-	9	-	-
Amounts receivable for services	2,809	2,809	-	-	-	-	-	-
	15,566	15,550	7	-	-	9	-	-
2015								
Cash and cash equivalents	3,535	3,535	-	-	-	-	-	-
Restricted cash and cash equivalents	538	538	-	-	-	-	-	-
Receivables ^(a)	7,349	7,192	129	-	15	13	-	-
Amounts receivable for services	2,402	2,402	-	-	-	-	-	-
	13,824	13,667	129	-	15	13	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Note 26. Financial instruments (continued)

Liquidity risk and interest rate exposure

The following table details the Office's interest rate exposure and the maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted average effective interest rate %	Interest rate exposure				Nominal amount \$'000	Maturity dates				
		Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000		Up to 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2016											
Financial Assets											
Cash and cash equivalents	–	4,886	–	–	4,886	4,886	4,886	–	–	–	–
Restricted cash and cash equivalents	–	–	–	–	–	–	–	–	–	–	–
Receivables ^(a)	–	7,871	–	–	7,871	7,871	7,862	–	4	5	–
Amounts receivable for services	–	2,809	–	–	2,809	2,809	–	390	–	2,419	–
		15,566	–	–	15,566	15,566	12,748	390	4	2,424	–
Financial Liabilities											
Payables	–	962	–	–	962	962	962	–	–	–	–
		962	–	–	962	962	962	–	–	–	–

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Note 26. Financial instruments (continued)

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Interest rate exposure					Nominal amount \$'000	Maturity dates				
	Weighted average effective interest rate	Carrying amount	Fixed interest rate	Variable interest bearing	Non-interest bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
	%	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
2015											
Financial Assets											
Cash and cash equivalents	–	3,535	–	–	3,535	3,535	3,535	–	–	–	–
Restricted cash and cash equivalents	–	538	–	–	538	538	–	–	538	–	–
Receivables ^(a)	–	7,349	–	–	7,349	7,349	7,324	–	16	9	–
Amounts receivable for services	–	2,402	–	–	2,402	2,402	–	314	–	2,088	–
		13,824	–	–	13,824	13,824	10,859	314	554	2,097	–
Financial Liabilities											
Payables		1,075	–	–	1,075	1,075	1,075	–	–	–	–
		1,075	–	–	1,075	1,075	1,075	–	–	–	–

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

	2016	2015
	\$'000	\$'000

Note 27. Remuneration of senior officers

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

Remuneration Band (\$)	2016	2015
30,001 – 40,000	1	–
130,001 – 140,000	1	–
180,001 – 190,000	–	1
190,001 – 200,000	–	1
200,001 – 210,000	1	–
210,001 – 220,000	1	1
220,001 – 230,000	–	1
230,001 – 240,000	1	–
250,001 – 260,000	–	1
270,001 – 280,000	1	–
280,001 – 290,000	–	1
290,001 – 300,000	1	–
430,001 – 440,000	–	1
440,001 – 450,000	1	–
	\$'000	\$'000
Base remuneration and superannuation	1,629	1,519
Annual leave and long service leave accruals	(49)	67
Other benefits	257	219
Total remuneration of senior officers	1,837	1,805

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

A Senior Officer took extended leave from August to December 2015. An Officer was temporarily appointed to the position. Details of the acting Senior Officer's remuneration are included in the financial disclosure above, as the Officer acted for more than 3 months during the financial year.

	2016	2015
	\$'000	\$'000

Note 28. Remuneration of auditor

An independent auditor is appointed by the Governor under section 38(2) of the *Auditor General Act 2006* to audit the accounts, financial statements, controls and performance indicators of the Office with the fee being paid by this Office. Remuneration in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements, controls and key performance indicators	39	39
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Note 29. Special purpose accounts

The Office did not have any special purpose accounts at the end of the financial year.

Note 30. Supplementary financial information

(a) Write-offs

During the financial year, nil (2015: nil) was written-off the Office's accounts receivable ledger under the authority of:

The Accountable Authority	–	–
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(b) Losses through theft, defaults and other causes

Losses of public money and public and other property through theft or default	2	–
Amounts recovered	–	–
	2	–

The loss relates to the theft of an Office laptop from a staff member's home. The theft was reported to the police. An insurance claim has been submitted to Riskcover.

(c) Gifts of public property

Gifts of public property provided by the Office	–	–
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Note 31 Disclosure of changes in accounting policies and estimates

Initial application of an Australian Accounting Standard

The Office has not applied any new Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2015 that had any significant impact on the Office.

Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. Where applicable, the Office plans to apply the following Australian Accounting Standards from their application date.

	Operative for reporting periods beginning on/after
<p>AASB 9 <i>Financial Instruments (and related revisions to other Standards)</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<p>AASB 15 <i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that the Office shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<p>AASB 16 <i>Leases</i></p> <p>This Standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2019
<p>AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]</i></p> <p>The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. Other than additional disclosures, there is no financial impact.</p>	1 Jul 2016
<p>AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i></p> <p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

Certification of Key Performance Indicators

For the year ended 30 June 2016

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of the Auditor General's performance, and fairly represent the performance of the Office for the financial year ended 30 June 2016.



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
1 August 2016

Performance Indicators

The Office of the Auditor General exists to serve the public interest by providing Parliament with independent and impartial information regarding public sector accountability and performance. This Office reports directly to Parliament and ultimately the people of Western Australia.

Our desired outcome, ‘an informed Parliament on public sector accountability and performance’, is consistent with the government goal Financial and Economic Responsibility – *Responsibly managing the State’s finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.*

Key Effectiveness Performance Indicators

The key effectiveness performance indicator is:

The extent that the Office of the Auditor General is effective in informing Parliament about public sector accountability and performance is measured by the number of tabled reports compared to targets for each of the following categories of audit matter:

- Service delivery – reports tabled
- Economic development – reports tabled
- Social and environment – reports tabled
- Governance – reports tabled.

Table 22 shows our actual result for the preceding 4 years, and our performance against the 2015-16 target.

Report Type	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2015-16 Target	Target over 3 years
Service Delivery	4	4	5	4	7	5	15
Economic Development	1	2	4	2	3	3	9
Social and Environment	2	3	2	2	2	3	9
Governance	17	15	15	12	17	14	42
Total	24	24	26	20	29	25	75

Table 22: Actual result for the preceding four years, and our performance against the 2015-16 target

A crucial element of this key performance indicator is the establishment of a 3 year target for each category of report. The current target over 3 years encompasses the financial years 2015-16 to 2017-18. While the Office aims to meet its report targets, we are also concerned with the quality of our reports and will not sacrifice this requirement in order to achieve a quantitative measure. The increase in the number of reports tabled in 2015-16 compared to both target and the prior year is predominantly due to a carryover of reports previously scheduled to be completed in the prior year.

Our topic selection process aims to provide Parliament with advice and assurance across all 4 categories of public sector activity. Our targets are one factor in our selection of topics. Other factors include the significance of identified issues and regards for matters referred to us by Parliament. For this reason, our category targets may not always be met in any one year.

Key Efficiency Performance Indicators

The key efficiency performance indicators measure the overall efficiency in delivering the Office's service 'Public Sector Auditing'. The Office is responsible for undertaking the external audit of the Western Australian public sector. This is done through audits of controls, financial statements, performance indicators, efficiency, effectiveness and reporting the results to Parliament.

Our key efficiency performance indicators are:

- total audit cost per million dollars of gross government expenditure
- attest (financial) audit cost per million dollars of gross government expenditure
- performance audit cost per million dollars of gross government expenditure
- average number of days taken after balance date to issue financial audit opinions.

Efficiency Indicator	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2015-16 Target
Total audit cost per million dollars of gross government expenditure	\$516	\$497	\$472	\$509	\$479	\$478
Attest (financial) audit cost per million dollars of gross government expenditure	\$387	\$373	\$355	\$370	\$354	\$335
Performance audit cost per million dollars of gross government expenditure	\$129	\$124	\$117	\$139	\$125	\$143
Average number of days taken after balance date to issue financial audit opinions	69.5 days	70.8 days	69.1 days	67.0 days	66.2 days	70.0 days

Table 23: Actual results for the preceding four years, and our performance against 2015-16 target

The gross government expenditure value incorporates total public sector expenditure together with expenditure by universities, superannuation boards and other entities whose expenditure is not reported within total public sector expenditure. The estimated actual total public sector expenditure from the Government Mid-Year Financial Projections Statement is used rather than actual total public sector expenditure as the actual results are not available at the time these key performance indicators are produced. The estimated total public sector expenditure is considered a reasonable estimate of actual total public sector expenditure.

The audit costs used to calculate the key efficiency indicators are extracted from the Office's Financial Management Information System. The proportion of total cost assigned to financial and performance audits is based on recorded direct hours charged to audits and an activity based allocation of Office overhead.

The decrease in total audit cost per million dollars of gross government expenditure in 2015-16 compared with the prior year arose because the Office's expenditure decreased by 1.5% during 2015-16, compared to gross government expenditure which increased by 4.5%.

The attest (financial) audit cost per million dollars of gross government expenditure in 2015-16 was marginally higher than the target. This was mainly due to two factors. Firstly, the 2015-16 target for financial audit costs was based on an Office strategy of directing 70% of overall audit effort towards financial audits. The desired strategy was not achieved. The actual result was 74.0%. Secondly, attest (financial) audit expenditure exceeded target by 7.2% mainly due to higher than expected employee expenses. The Office was unable to achieve the salaries budget. The Office's legislative obligation to undertake audits of the public sector continues to challenge its capacity to stay within approved salaries budgets. Serious and concerted efforts are being made however, to achieve the salaries budget.

The decrease in the performance audit cost per million dollars of gross government expenditure, compared to the prior year, was mainly due to lower than expected employee expenses, arising from external secondments to other agencies and leave without pay arrangements.

The performance audit cost per million dollars of gross government expenditure is significantly lower than the target. The 2015-16 target for performance audit costs was based on an Office strategy of directing 30% of overall audit effort towards performance audits. The actual result was 26.0%. The desired strategy was not achieved due to fewer staffing resources being available for performance audits.

Section 64 of the *Financial Management Act 2006* requires Ministers to table agency annual reports, including the audit opinion on the financial statements, controls and key performance indicators in Parliament within 90 days of the end of a financial year of an agency. Accordingly, the Office has adopted an efficiency indicator which measures the average number of days taken after balance date to issue financial audit opinions. Our target has been set with regard to this statutory requirement for all financial audits.

The favourable variance between 2015-16 actual and target is due to agencies preparing financial statements and key performance indicators in a more timely manner and efficiency improvements achieved in the audit process.

Other financial disclosures

Pricing policies

We have based our fee model on our legislation and Department of Treasury guidelines. Under this model, we invoice agencies only for financial audits. However, our fees also incorporate a loading to recover one-third of our narrow scope performance audits, the focus of which is on governance and has a strong relevance to financial accountability.

Fees are based on the hours required to undertake each financial audit. Where a contractor conducts the audit on the Office's behalf, fees are based on the contractor's fees. The model also assumes:

- full recovery of direct costs including salary, superannuation and training
- full recovery of identified overheads with these costs being spread over all financial audit engagements.

Capital works

During 2015-16, we continued our ongoing asset replacement program. Capital projects this year included:

- replacement of colour digital multifunction devices (\$46,916)
- enhancements to the automated accounts payable process to improve efficiency and effectiveness of workflow (\$22,500)
- integration of the HP Records Manager and SharePoint applications to improve the governance of audit working papers (\$21,295)
- development of an OAG portal to facilitate two-way electronic document exchange between the Office and agencies (\$14,073.54)
- new software which uses on-premise and cloud based backup and disaster recovery technologies (\$17,770.68).

In addition, we also commenced development of a new people and practice management system which is expected to be fully implemented by March 2017. This project includes the replacement of our current payroll system and to 30 June 2016 we have spent \$48,593.87 in capital funding.

Employee profile

	At June 2014	At June 2015	At June 2016
Full time permanent employees	115	109	106
Full time contract employees	12	14	11
Part time employees	18	11	12
Part time contract employees	5	2	4
Secondees into the Office	3	1	3
Total	153	137	136

Table 24: Employee profile of the Office

Full employee disclosures are outlined in the Our People section (page 48).

Staff development

The Office is committed to the development of our people and has an extensive program that delivered in excess of 9,300 hours of in-house and external training. As the result of our commitment to professional development and staff training we are recognised by CPA Australia and Chartered Accountants Australia and New Zealand. More information on our Learning and Development program is outlined on page 50.

Workers compensation

During the 2015-16 financial year no compensation claims were recorded, this is the same as in 2014-15, when no compensation claims were recorded.

Senior officers

At the date of reporting, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the Office other than normal contracts of employment of service.

Other employment

Under schedule 1, clause 3 of the *Auditor General Act 2006*, the Auditor General must not, except so far as authorised by law or by resolutions of both Houses of Parliament, hold certain offices, places or positions referred to in the *Constitution Acts Amendment Act 1899*. The schedule also prohibits the Auditor General from engaging in any paid employment outside the duties of the Office of the Auditor General.

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

– Colin Murphy

Disability Access and Inclusion Plan

We have completed all planned strategies over the life of our current plan (2011–2016) and the Office’s Disability Access and Inclusion Plan (DAIP) 2017-2027 is currently under development. While our products and services are not specifically targeted at people with disability we are committed to ensuring that they, their families and carers have ready access to our services, information and facilities.

Additionally we are committed to ensuring that people with disability have the same opportunities to obtain and maintain employment with us. We as standard practice, review our recruitment processes to address any barriers to access and inclusion in employment. For current employees with existing or emerging disabilities, we work with the employee and their health professionals to support their work and contribution to the Office.

We report our progress against the seven outcomes contained in our Disability Access and Inclusion Plan (DAIP) to the Disability Services Commission annually. We also present this information to employees and the Executive Management Group regularly.

Our annual reporting assesses the effectiveness of each strategy using the following ratings:

1. **Ineffective** – did not enhance access and inclusion
2. **Average** – enhanced access and inclusion in the interim but was not sustainable
3. **Effective** – enhanced access and inclusion
4. **Unsure** – unsure or too early to tell whether access and inclusion was enhanced.

Outcome	Strategies	Rating
Outcome 1 People with disability have the same opportunities as other people to access the services of, and any events organised by, the Office.	Ensure that people with disability are provided with an opportunity to comment on access to services.	4
	Redevelop an Access and Inclusion Policy to ensure it supports equitable access to services by people with disabilities.	3
	Incorporate the objectives of the DAIP into our strategic business planning, budgeting processes, and procedures and policies.	3
	Ensure that our employees and contractors are aware of our DAIP and relevant policies and strategies.	4
	Ensure that events conducted by, or on behalf of the OAG, are accessible to people with disability.	3
Outcome 2 People with disability have the same opportunities as other people to access the buildings and other facilities of the Office	Ensure that our offices are accessible and meet the legislative and access standards for accessibility.	3
	Ensure that our signage is clear and easy to read.	4
	Information is available as to access options.	3
	Parking – close to public transport and close to other facilities.	3
	The community is aware that our information is available in alternative formats upon request.	3

Outcome	Strategies	Rating
Outcome 3 People with disability receive information from the Office in a format that will enable them to access the information as readily as other people are able to access it.	Improve our employees' awareness of accessible information needs and how to obtain information in other formats.	3
	Establish a process for ensuring that, when requested, the use of specialist support is made available at meetings.	3
	Ensure W3C Web Content Accessibility guidelines are incorporated during the design of web pages.	3
	Improve the awareness of Office Receptionist about information needs of people who are hearing impaired, and people with speech impediments.	3
	Ensure that our printed information is accessible to people with a disability.	3
Outcome 4 People with disability receive the same level and quality of service from our employees as other people.	Improve employee awareness and cultural awareness of disability and access issues and relevant legislation. Conducted as part of regular employee professional development sessions.	3
	Improve skills to better our service to people with disability. Conducted as part of regular employee professional development sessions.	3
	Improve the awareness of new employees about disability and access issues. Communicated to new starters as part of the Office induction process and induction packs.	3

Outcome	Strategies	Rating
Outcome 5 People with disability have the same opportunities as other people to make complaints to the Office.	Ensure that our referral system and policies are accessible for people with disability.	3
	Improve employees' knowledge so they can facilitate the receipt of complaints from people with disability.	3
Outcome 6 People with disability have the same opportunities as other people to participate in any public consultation we may carry out.	Ongoing monitoring of our DAIP to ensure implementation and satisfactory outcomes.	3
Outcome 7 People with disability have the same opportunities as other people to obtain and maintain employment with a public authority.	Advertisements for vacancies include the statement that the OAG is an Equal Opportunity Employer.	3
	Flexible employment options are available for employees with disability.	3
	Workplace set-up and equipment is tailored to employee needs.	3
	Awareness sessions conducted annually as part of our PD and Office forum program.	3

Table 25: Progress against our Disability Access and Inclusion Plan 2011-2016

Expenditure on advertising

In accordance with s175ZE of the *Electoral Act 1907*, the Office incurred the following expenditure in recruitment advertising, conducting of surveys and our contribution to the benchmarking survey of the Australasian Council of Auditors-General. The total expenditure for 2015-16 was \$71,634.89.

Expenditure occurred in the following areas (ex-GST):

Expenditure	Total
Advertising:	
Adcorp	\$2,728.29
Surveys:	
Survey Monkey	\$724.10
Orima	\$68,182.50

Table 26: Expenditure on advertising

Compliance with public sector standards and ethical codes

The Office's policies and procedures are designed to meet the public sector compliance requirements of the public sector standards, public sector code of ethics and public sector standards in human resource management. Our own internal Code of Conduct specifies appropriate standards of employee behaviour, with direct relevance to the Office's unique role and responsibilities, and our audit employees must also adhere to their own professional standards.

We inform our employees of these standards and requirements by providing information on commencement, as part of the induction process; publishing the documentation on our intranet; and regular information sharing sessions for all employees.

Human Resources provides consultancy services in relation to the Public Sector human resource standards, particularly supporting recruitment and selection processes, through panel membership, providing advice and guidance. All applicant correspondence includes details on accessing the Public Sector Standards, and all recruitment and appointment processes are independently reviewed to ensure compliance.

There were no breaches of standards lodged in the past year. Further information relating to our Code of Conduct is on page 52.

Records management

Our Recordkeeping Plan acknowledges our responsibility to ensure all employees are aware of their compliance responsibilities and provided with training in these areas. We achieve this through a range of tools including:

- a mandatory online Recordkeeping Awareness Training program for all employees
- graduate induction training, specifically targeted at their role and use of the records management system
- focus group sessions, as required, for specific user groups or individuals on issues or emerging topics requiring additional training.

In addition to training for all existing employees, we place particular focus and effort on informing new employees of the compliance requirements and their personal responsibilities. We do this through our induction process, which includes awareness of records management policies, procedures and responsibilities, as well as training in the use of the Office's electronic document and records management system.

To complement our formal instructor-led training, we also use interactive online multimedia training presentations and quick reference guidebooks. Our mix of formal, informal and self guided training packages has proven to be both effective and appreciated by employees.

Our Service Request Tracking software includes requests for information management and recordkeeping assistance. This software allows us to track and report on common issues across the Office. Common issues then become the focus of specific targeted training.

The State Records Commission approved our current Recordkeeping Plan in December 2013.

Occupational safety and health and injury management

Occupational safety and health (OSH) is a priority for us at all times and we are committed to providing and maintaining a safe and healthy work environment. We are fortunate that our employees work in a very low risk environment but we do not take this for granted. All employees receive online OSH training and we have designated and trained OSH safety officers.

All practices comply with our legislative responsibilities under the *Occupational Safety and Health Act 1984* and the *Workers' Compensation and Injury Management Act 1981* and all policy requirements in Western Australia.

We had no OSH incidents this year and maintained our target of 90% of managers trained in their OSH responsibilities.

Measure	2013-14 ¹	2015-16	Target
Number of fatalities	0	0	0
Lost time injury and/or diseases incident rate ³	0	0	0 or 10% reduction ²
Lost time injury and/or disease severity	0	0	0 or 10% reduction ²
Percentage of injured workers returned to work:			
i. within 13 weeks	n/a	n/a	Greater than or equal to 80%
ii. within 26 weeks	n/a	n/a	
Percentage of managers trained in occupational safety, health and injury management responsibilities	90%	90%	Greater than or equal to 80%

Table 27: Our OSH performance in 2015-16 against the targets set out in the Public Sector Commissioner's Circular 2012-05.

1. This is a three-year trend. Thus, the year is three years prior to current reporting year (current year is 2015-16; comparative year is 2013-14).
2. The reduction is calculated over a three-year period.
3. The lost time injury/disease incidence rate is the number of lost time.



Appendices

Appendix 1: Our Strategic Plan

The Executive Management Group (EMG) endorsed our Strategic Plan in February 2016. The actions contained in the plan are either stand-alone or included and cross-referenced to one of four key corporate documents: business unit operational plans, Communications Plan, Information Technology Plan and the Workforce Development Plan.

Progress against the plan will be reported to EMG throughout the year. At the time, EMG will also review and identify any amendments required or new outcomes, strategies or actions required. Progress against our outcomes will be reported externally through the annual report from next year.

Our People – Motivated, Innovative, Collaborative, Accountable, Valued, Skilled, Knowledgeable		
Outcomes	Strategies	Measure
An appropriately skilled workforce capable of meeting current and future business needs	Maintain an environment where learning opportunities are readily available; employees actively pursue learning; and acquired learning can be applied	a. Pass rate of employees sitting CPA/CA exams
	Maintain a meaningful employee performance review process	b. Results of online compliance training c. Number of reports where we use a contractor
	Ensure flexible, adaptive recruitment, contracting and employment arrangements to match work skills with demand	d. Performance rating in performance development review process
High performing people who contribute to strategic objectives	Invest in organisational capability that will give the OAG a long term benefit	a. Workforce Plan actioned
	Empower staff to complete all of their responsibilities on an audit or business project	b. Performance development review completion rate
	Encourage innovation and acknowledge staff for being innovative in their approach	c. Auditors provided with identified training and awareness specific to assigned audits
A work environment that is recognised as a workplace of choice	Assist staff wishing to undertake relevant further studies	a. CPA/CA exam results
	Provide opportunities for professional growth within the OAG	b. Number of secondments and internal rotations supported
	Provide national and international secondment opportunities	c. Number of secondments to other audit offices supported
	Ensure a safe and healthy working environment	

Our Tools – Robust, Efficient, User-Friendly, Flexible, Agile, Reliant, Compliant

Outcomes	Strategies	Measure
Efficient, effective and responsive business operations that meet current and emerging needs	Work within a framework and governance structure which is current and effective	a. OAG policy framework
	Respond effectively to changes in our environment by maintaining a strategic focus	b. Communicate policy changes
	Maintain an appropriate and effective approach to risk management	c. Staff awareness
	Ensure accurate and reliable technical advice is available	d. Strategic meetings e. Risk framework
Sound information systems that support operational needs	Ensure IT systems are efficient, effective and supported	a. Hardware and software availability b. Information Technology Plan c. Online Communications Plan
	Capitalise where possible on our existing systems to improve our business operations	
	Have an approach to IT that recognises and addresses operational and strategic business requirements	
	Continuously improve internal and external accessibility and useability of our tools	
Sound financial management of our business	Maintain a strong, sound and transparent financial management approach	a. Internal budget activity
	Use accurate business data that informs management decision making	b. Business intelligence availability c. Internal and external audits
	Continuously improve our processes to ensure quality and compliance of internal financial management practices	d. Reports with generally positive findings
Audit methodology tools are current, reliable and compliant	Ensure our methodology remains current and compliant	a. Post audit reviews b. Audit methodology improvement opportunities c. Changes to Standards

Our Approach – Consistent, Fair and Balanced, Independent, Transparent, Pragmatic, Professional, Contemporary

Outcomes	Strategies	Measure
Audits completed in accordance with auditing and professional standards	Maintain a contemporary and quality audit approach	a. Quality assurance review outcomes b. Post audit reviews
	All reports to go through the OAG quality framework	a. Quality assurance cold review outcomes b. Public Accounts Committee follow up of OAG reports
Relationships with audit clients professionally managed	Communicate, consult and develop quality relationships with clients	a. Audit client surveys b. Referrals and enquiries
Our reputation for independence, integrity and impartiality is maintained	Further enhance transparency and accountability of our topic selection process and outcomes	a. External opinion b. Website statistics c. Communications Plan
	Continuously reinforce to staff the Office principles of independence, integrity and impartiality	
	Maintain an awareness of the external perception of the Office	
A well informed parliament and public	Set clear expectations and communicate our role and purpose to Parliament, agencies and the community	a. Progress towards initiatives b. Delivery of briefing material
	Identify and implement strategies to address Parliament's needs and expectations	c. Members of Parliament survey

Our Products – Value for Money, Timely, Relevant, Accurate, Quality, Innovative

Outcomes	Strategies	Measure
Timely, relevant and quality reports on public sector performance and accountability	Table reports on time and on budget	<ul style="list-style-type: none"> a. Reporting KPIs – category targets b. Training delivered c. Internal tabling targets
Value for money reporting that address issues of public interest	Use benchmarking to ensure audit costs reflect value for money	a. Clients survey
	Produce reports that are considered valuable and relevant to Parliament	b. Members of Parliament survey
	Ensure that the right audit product (Broad scope/narrow scope/AGBA) is selected to achieve value for money	c. OAG performance reports
Reports and opinions that lead to improved public sector performance and accountability	Include consideration of topics important to agencies when developing forward audit program	d. Correspondence to Members of Parliament or committees regarding topic requests
	Ensure clearly articulated and accessible report findings and recommendations	<ul style="list-style-type: none"> a. Plain English Foundation review rating b. Communications Plan c. Members of Parliament survey d. Client surveys e. Agencies completing audit recommendations

Appendix 2: Audit clients for 2015-16 financial year

Audits under *Financial Management Act 2006*

Departments

Commissioner for Equal Opportunity
 Department for Child Protection and Family Support
 Department of Aboriginal Affairs
 Department of Agriculture and Food
 Department of Commerce
 Department of Corrective Services
 Department of Culture and the Arts
 Department of Education
 Department of Education Services
 Department of Environment Regulation
 Department of Finance
 Department of Fire and Emergency Services
 Department of Fisheries
 Department of Health
 Department of Housing
 Department of Lands
 Department of Local Government and Communities
 Department of Mines and Petroleum
 Department of Parks and Wildlife
 Department of Planning
 Department of Racing, Gaming and Liquor
 Department of Regional Development
 Department of Sport and Recreation
 Department of State Development

Department of the Attorney General
 Department of the Legislative Assembly
 Department of the Legislative Council
 Department of the Premier and Cabinet
 Department of the Registrar, Western Australian Industrial Relations Commission
 Department of the State Heritage Office
 Department of Training and Workforce Development
 Department of Transport
 Department of Treasury
 Department of Water
 Governor's Establishment
 Mental Health Commission
 Office of the Commissioner for Children and Young People
 Office of the Director of Public Prosecutions
 Office of the Environmental Protection Authority
 Office of the Government Chief Information Officer
 Office of the Information Commissioner
 Office of the Inspector of Custodial Services
 Parliamentary Commissioner for Administrative Investigations
 Parliamentary Services Department
 Police Service
 Public Sector Commission
 Road Safety Commission
 State Emergency Management Committee Secretariat
 Western Australian Electoral Commission

Statutory authorities

Agricultural Produce Commission
 Animal Resources Authority
 Botanic Gardens and Parks Authority
 Building and Construction Industry Training Board
 Central Institute of Technology (Final audit)
 Central Regional TAFE (from 11 April 2016)
 Challenger Institute of Technology (Final audit)
 Chemistry Centre (WA)
 Combat Sports Commission
 Commissioner of Main Roads
 Construction Industry Long Service Leave Payments Board
 Corruption and Crime Commission
 Country High School Hostels Authority
 Country Housing Authority
 Curtin University of Technology
 C Y O'Connor Institute (Final audit)
 Disability Services Commission
 Durack Institute of Technology (Final audit)
 Economic Regulation Authority
 Edith Cowan University
 Fire and Emergency Services Superannuation Board
 Forest Products Commission
 Gaming and Wagering Commission of Western Australia
 Gascoyne Development Commission
 Gold Corporation

Goldfields-Esperance Development Commission
 Goldfields Institute of Technology (Final audit)
 Government Employees Superannuation Board
 Great Southern Development Commission
 Great Southern Institute of Technology (Final audit)
 Health and Disability Services Complaints Office
 Heritage Council of Western Australia
 Housing Authority
 Insurance Commission of Western Australia
 Keep Australia Beautiful Council (W.A.)
 Kimberley Development Commission
 Kimberley Training Institute (Final audit)
 Landcare Trust
 Law Reform Commission of Western Australia
 Legal Aid Commission of Western Australia
 Legal Contribution Trust
 Legal Costs Committee
 Local Health Authorities Analytical Committee
 Lotteries Commission
 Metropolitan Cemeteries Board
 Metropolitan Redevelopment Authority
 Mid West Development Commission
 Minerals Research Institute of Western Australia
 Murdoch University

North Metropolitan TAFE (from 11 April 2016)
 North Regional TAFE (from 11 April 2016)
 Parliamentary Inspector of the Corruption and Crime Commission
 Peel Development Commission
 Perth Market Authority
 Perth Theatre Trust
 Pilbara Development Commission
 Pilbara Institute (Final audit)
 Polytechnic West (Final audit)
 Potato Marketing Corporation of Western Australia
 Professional Standards Council
 Public Transport Authority of Western Australia
 Public Trustee
 Quadriplegic Centre Board
 Racing and Wagering Western Australia
 Racing Penalties Appeal Tribunal of Western Australia
 Rottnest Island Authority
 Rural Business Development Corporation
 School Curriculum and Standards Authority
 ScreenWest Inc
 Small Business Development Corporation
 South Metropolitan TAFE (from 11 April 2016)
 South West Development Commission
 South West Institute of Technology (Final audit)
 State Supply Commission
 Swan Bells Foundation Inc
 The Aboriginal Affairs Planning Authority
 The Anzac Day Trust

The Board of the Art Gallery of Western Australia
 The Burswood Park Board
 The Coal Miners' Welfare Board of Western Australia
 The Library Board of Western Australia
 The Minister for Health in his capacity as the Deemed Board of Metropolitan Public Hospitals
 The National Trust of Australia (W.A.)
 The Queen Elizabeth II Medical Centre Trust
 The University of Western Australia
 The Western Australian Museum
 Trustees of the Public Education Endowment
 WA Country Health Service
 West Coast Institute of Training (Final audit)
 Western Australian Building Management Authority
 Western Australian Coastal Shipping Commission
 Western Australian Energy Disputes Arbitrator
 Western Australian Greyhound Racing Association
 Western Australian Health Promotion Foundation
 Western Australian Institute of Sport
 Western Australian Land Information Authority
 Western Australian Meat Industry Authority
 Western Australian Planning Commission
 Western Australian Sports Centre Trust
 Western Australian Tourism Commission
 Western Australian Treasury Corporation

Wheatbelt Development Commission
 WorkCover Western Australia Authority
 Zoological Gardens Authority

Subsidiaries

ACN 609 966 627 Ltd
 Goldmaster Enterprises Pty Ltd
 Homeswest Loan Scheme Trust
 Innovative Chiropractic Learning Pty Ltd
 Keystart Bonds Limited
 Keystart Housing Scheme Trust
 Keystart Loans Limited
 Keystart Support Trust
 Murdoch College Properties Pty Ltd
 Murdoch Retirement Services Ltd
 Murdoch University Foundation
 Murdoch University Veterinary Centre Trust
 South West Cogeneration Joint Venture
 South West Hub Joint Venture
 South West Hub Pty Ltd
 The University Club of Western Australia Pty Ltd
 UWA Accommodation Services Pty Ltd
 Vinalco Energy Pty Ltd
 Vinalco Energy Trust

Request audits

Alan and Iris Peacocke Research Foundation
 Perth USAsia Centre Pty Ltd
 Tertiary Institutions Service Centre (Inc)
 The Delegate to the Queen Elizabeth II Medical Centre Trust

Audits under other legislation

Cemeteries

Albany Cemetery Board
 Bunbury Cemetery Board
 Chowerup Cemetery Board
 Dwellingup Cemetery Board
 Geraldton Cemetery Board
 Kalgoorlie-Boulder Cemetery Board
 South Caroling Cemetery Board (Final audit)

Port authorities

Fremantle Port Authority
 Kimberley Ports Authority
 Mid West Ports Authority
 Pilbara Ports Authority
 Southern Ports Authority

Other legislation

Annual Report on State Finances
 Bunbury Water Corporation
 Busselton Water Corporation
 Horizon Power – Regional Power Corporation
 Independent Market Operator
 Synergy – Electricity Generation and Retail Corporation
 WA Bell Companies Administrator Authority
 Water Corporation
 Western Australian Land Authority
 Western Power – Electricity Networks Corporation

Appendix 3: Glossary

Accountability is traditionally established when Parliament confers responsibility on public sector agencies to account through a Minister of the Crown for all that is done in the exercise of their authority, the manner in which it is done and the ends sought to be achieved.

Across government benchmarking audits build on the annual assurance audits and are aimed at providing an indication to Parliament and agency management of how agencies are performing relative to each other on selected key control activities.

Agency means a department, a sub-department or a statutory authority as defined in the *Financial Management Act 2006*.

Annual Report on State Finances is a report prepared in accordance with the *Government Financial Responsibility Act 2000* that provides the state's public sector financial results for the financial year and outlines material differences between these results and the financial forecasts contained in the State Budget for that financial year.

Assurance audit or financial audit is audit work performed to enable an opinion to be expressed on the financial statements of an entity. For most entities, it also includes audit work to enable an opinion to be expressed on their controls and key performance indicators.

Audit includes to examine, investigate, inspect and review.

Auditor General's report is the vehicle used to report to Parliament the results of audits and examinations conducted under sections 12 to 20 of the *Auditor General Act 2006*.

Clear audit opinion is expressed when the audit concludes, based on the audit evidence obtained, that, in all material respects, the financial statements are free from material misstatement, the key performance indicators are relevant and appropriate and fairly represent indicated performance, or controls are adequate.

Compliance audits are audits that provide information about agency compliance with legislation, public sector policies and good practice.

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

Department means a department of the public sector established under the *Public Sector Management Act 1994*.

Effectiveness indicators are key performance indicators that provide information on the extent to which agency level government desired outcomes have been achieved, or contributed to, through the delivery of services.

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

Financial statements are a structured set of financial information including explanatory notes derived from accounting records to communicate for a period of time an entity's financial performance and cash flows, and at a point of time its financial position, that is useful to a wide range of users in making economic decisions.

A **follow-up audit** reviews the extent to which recommendations from the previous performance audit have been implemented, generally three to five years after tabling a report.

A **follow-on audit** examines the progress in implementing recommendations from a previous report and has additional scope in covering significant issues or developments in the area or activity.

Key performance indicator (KPI) is information about critical or material aspects of service performance or outcome achievement.

Key performance indicator audit is an audit performed to enable an opinion to be expressed about whether or not the key performance indicators are relevant and appropriate having regard to their purpose and fairly represent indicated performance.

Management letter is a letter to senior management of an agency or other entity that conveys the audit findings and results of an audit. It may include recommendations for improvements in controls and other matters.

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

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

Performance audits are audits that examine efficiency and effectiveness of public sector agencies or specific areas within an agency or across a number of agencies.

Service means the supply of an activity or good to a user external to the entity providing the service. Services comprise programs and outputs.

Statutory authority means a person or body specified in Schedule 1 of the *Financial Management Act 2006*. These agencies are established by Parliament under legislation for specified purposes.

Sub-department means an entity in respect of which a declaration under section 56(2) of the *Financial Management Act 2006* has effect.

Treasurer's Instructions are prescribed requirements at a minimum level with respect to matters of financial administration that have the force of law and must be observed by public sector agencies under the *Financial Management Act 2006*.

Appendix 4: Over 180 years of audit in Western Australia



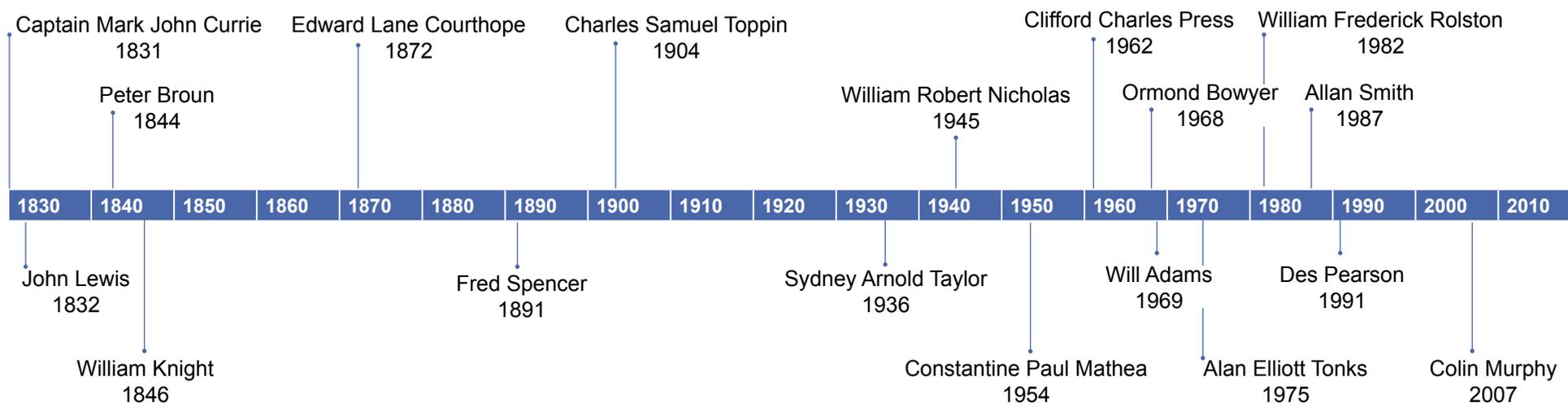
The origins of the Office of the Auditor General for Western Australia herald back to the first months of settlement of the Swan River colony in 1829. Captain Stirling formed in May (before even landing) 'a Board of Counsel and Audit in the management of the property of the Crown, and of public property within the settlement'.

This started out as a voluntary role: '... I am to acquaint you that his Excellency expects from your zeal the performance of the service required of you without reward of remuneration beyond the satisfaction you will derive from the fulfilment of a duty of this confidential nature'.

Stirling commanded the Office of the Commissioners of the Board of Counsel and Audit be opened 'for the despatch of business' on 12 August 1829. But they were very humble beginnings, operating out of a tent on the site chosen for the Town of Perth.

The Swan River Colony's first Auditor, Captain Mark Currie, was appointed 1 July 1831, paid 300 pounds per annum, and was responsible to the Colonial Office through the Governor.

Western Australia has had 18 Auditors General.





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