

Annual Report

2017-2018

OAG

Office of the Auditor General
Serving the Public Interest



About our report

Welcome to our 2017-18 Annual Report. We hope you find this report valuable in understanding our performance and the services we delivered during the year to inform Parliament on public sector accountability and performance.

You can access this and earlier annual reports on our website at www.audit.wa.gov.au.

We have structured this report around the 4 result areas of our Strategic Plan – Our People, Our Tools, Our Approach and Our Products. It also describes our functions and operations, and presents the audited financial statements and key performance indicators for the year ended 30 June 2018.

Our front cover prominently displays Western Australia. The introduction of local government auditing in October 2017 (page 12), has significantly broadened our role in auditing the state public sector for the benefit of Western Australians. This year, more than any other year, we have travelled the state to explore and implement our new mandate.

Feedback

We welcome your feedback and comments about our Annual Report so we can improve the value of future reports. You can contact us by:

- sending an email <info@audit.wa.gov.au>
- writing to us <PO Box 8489, PERTH WA 6849>



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2018

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 2018.

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

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
20 September 2018

National Relay Service TTY: 13 36 77 (to assist people with hearing and voice impairment).
On request, we can deliver this report in an alternative format.

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Contents

About us	2	Our people.....	26	Our approach	46
From the former Auditor General.....	6	Learning and professional development	26	Financial auditing	46
From the Auditor General	7	Performance development and review	27	Working with audit firms	47
Year in review.....	9	Graduate recruitment and support	27	Surveys of financial audit entities	47
Highlights 2017-18.....	10	Secondments	28	Information systems auditing.....	48
Significant issues 2018-19.....	11	University liaison program	28	Performance auditing	49
Local government audit reform.....	12	Equity and diversity	28	Opinions on ministerial notifications	53
Organisational structure.....	14	Code of Conduct	29	Quality framework	54
Senior officers	15	Grievance resolution	29	Reviews.....	55
Enabling legislation.....	16	Occupational safety and health	30	Working with Parliament.....	57
Key legislation	16	Wellness Committee.....	30	Working with our peers.....	60
Performance management framework	17	Employee suggestions and ideas.....	30	Working with our stakeholders	61
Our performance	20	Employee assistance program	31	Our products.....	64
Financial performance	20	Doing our bit for charity	31	Financial auditing	66
Key effectiveness performance	20	Social club	31	Our reports tabled in 2017-18	67
Key efficiency performance	21	Office forums	31	Making a difference – report successes.....	77
Additional indicator of our performance.....	21	Employee survey.....	32	Financial statements, key performance	
Our strategic direction	22	Our tools.....	36	indicators, disclosures and other legal	
		Governance.....	36	requirements, and appendices.....	78
		Key governance arrangements	37		
		Risk Management Framework	39		
		Policy framework	39		
		Technical advice	39		
		Efficiency and Effectiveness Plan.....	40		
		Information systems	40		
		Financial management.....	41		

Our office

About us

The Auditor General is an independent officer of Parliament with responsibility for auditing the public sector. The Auditor General has complete discretion in the performance of these functions. This independence and freedom from pressure, influence or interference is the cornerstone of public sector audit.

Ms Caroline Spencer (page 7), was appointed Auditor General for a non-renewable term of 10 years in May 2018, in accordance with the *Auditor General Act 2006* (AG Act).

The Office of the Auditor General (OAG) supports the Auditor General and is one of the largest audit practices in Western Australia. The OAG is a department of the public service and the Auditor General is the Chief Executive Officer and employer of staff.

As figure 1 shows, the Auditor General reports directly to Parliament. Three parliamentary committees have oversight of our operations – Public Accounts Committee (PAC), Estimates and Financial Operations Committee (EFOC) and Joint Audit Committee (JAC).

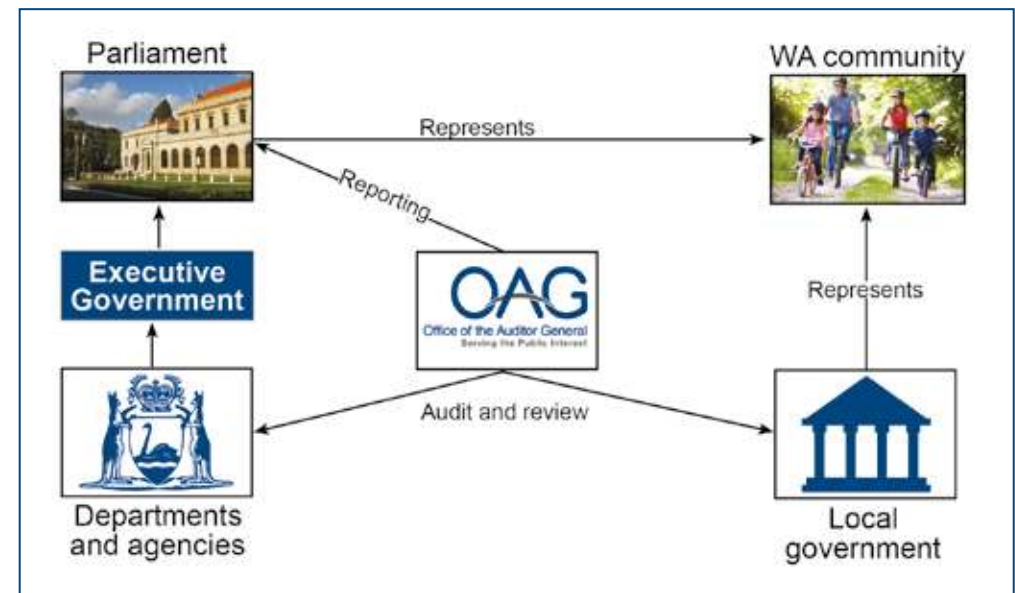


Figure 1: OAG reporting structure to Parliament

Our main clients are Parliament, state and local government entities, and the people of Western Australia

Our history – highlights

The Auditor General is responsible for:

- auditing the Annual Report on state finances
- conducting annual financial statement, key performance indicator (KPI) and control audits, and issuing audit opinions for departments, statutory authorities, tertiary institutions and corporatised entities
- conducting annual financial statement audits and issuing auditor's reports for local governments
- undertaking wide-ranging performance audits to ensure there are adequate controls within state government agencies and local governments, compliance with relevant legislation, and most importantly efficiency, effectiveness and economy of operations or programs
- reporting the results of audits to Parliament in an objective, competent, insightful and timely manner.

12 August 1829: Office of the Commissioners of the Board of Counsel and Audit opened

1 July 1831: Captain Mark Currie appointed first auditor of Western Australia

16 September 1881: The first *Audit Act 1881* introduced to provide for effective keeping and auditing of public accounts

30 December 1985: *Financial Administration and Audit Act 1985* introduced efficiency and effectiveness examinations of agencies (performance audit) and the audit of agencies' KPIs

1 June 1988: First performance audit tabled – *The Management of Prisons Industries*

21 December 2006: *Auditor General Act 2006* introduced 'follow-the-dollar' powers for when private sector entities perform functions on behalf of the public sector

Financial Management Act 2006 separated audit and financial management legislation

11 November 2009: First report using 'follow-the-dollar' powers – *Accountability for Government Grants*

25 August 2016: Joint Standing Committee on Audit tabled *Review of the Operation and Effectiveness of the Auditor General Act 2006*

28 October 2017: The *Local Government Amendment (Auditing) Act 2017* proclaimed, giving the Auditor General the mandate to audit local governments

Our main clients are Parliament, state and local government entities, and the people of Western Australia.

In the past 12 months we completed financial audits of 183 state agencies and subsidiaries that had a combined worth of over \$228 billion in assets.

We also assess the efficiency and effectiveness of agencies and local governments and their programs through performance audits. In 2017-18, we conducted and reported on 27 performance audits, involving over 74 agencies, that included 98 recommendations.

We deal with state agencies employing over 140,000 people that provide hugely diverse public services, including education, health, community services, justice, energy, natural resource management and economic development.

This year, we also started our first annual financial statement audits of 46 local governments, and will progressively take on the annual financial statement audits of all remaining local governments by 2020-21 (page 134).

The state's 139 local governments and 9 regional councils employ over 15,000 people, spend nearly \$4 billion on service delivery and infrastructure and manage more than \$40 billion in assets. They deliver core services in their community including waste, roads, parks, playgrounds and gardens, planning and development approvals, public health and various licensing requirements.

We achieved this with a budget of \$26.1 million and just over 145 people and the professional resources of our contract audit firm partners.

We have a diverse cultural and social workforce and our people also come with a range of qualifications and experiences well beyond simply auditing. We are very proud of this diversity because it strengthens our capacity and culture, and makes the OAG a more enjoyable place to work.

Our vision

Serving the public interest by an informed Parliament and community

Our mission

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

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.

CASE STUDY

Taking opportunities to meet our audited entities

With our new mandate to audit local governments, we have been taking every opportunity to get around the state and meet with local governments big and small, metropolitan and regional.

While we are well placed to take on the audits, we appreciate we have a lot to learn about local governments, how they operate and how they differ to state government agencies and also each other.

Throughout 2017-18 our Executive attended 17 Western Australian Local Government Association (WALGA) zone meetings and in June, the Auditor General presented at the Local Government Professionals North West Conference in Broome.

The event was an opportunity for us to share information and answer questions about audit, and also to learn about some of the issues facing smaller regional local governments.

The trip to Broome was also a chance for the new Auditor General and members of our Executive to see firsthand the operations of some of the state government agencies we audit including the Broome Court House, North Regional TAFE, the Broome Regional Prison, Broome Police Station and Kimberley Ports Authority. They also met with the Kimberley District Leadership Group comprising Commonwealth and state government entities including communities, health, justice, education and police.

Meeting with our audit clients is not only valuable for establishing relationships, but also strengthens our understanding of agencies and local governments, providing greater context for our audit reports.



Figure 2: Maritime training facilities at North Regional TAFE (top) and Broome Port (bottom)

From the former Auditor General



Following 10+ rewarding and memorable years, my term as Auditor General officially ended on 27 May 2018.

It has been a privilege to serve the Parliament and the wider community in this role and I can reflect positively on what my team and I

have been able to achieve. I am proud to leave my successor, Caroline Spencer, well positioned to take on this important role for the next 10 years.

The role of Auditor General has a long history, here and in other jurisdictions. I believe it has not only survived, but become increasingly relevant for 2 reasons:

1. The model continues to be sound. There is a continuing need for an independent auditor to provide assurance to Parliament and the community on public sector accountability.
2. The role of the Auditor General has changed over time, adapting to meet the changing requirements of Parliament.

In Australia, and most certainly in Western Australia, we have seen an increasingly

complex environment of government service delivery. More and more our governments are implementing alternative mechanisms for service delivery arrangements – such as public-private partnerships, outsourcing arrangements, joint ventures and the involvement of non-government organisations. We have also seen an increasing number of initiatives that are federally-funded but where the actual service delivery lies with the states and territories.

Here in WA, over the last few years we have also seen a series of restructures and machinery of government changes, which have changed the operational landscape for many agencies, as well as the TAFE and health services sectors.

Indeed, our public sector is evolving, and our accountability, transparency and assurance mechanisms need to keep pace with this evolution. I am pleased to say in my experience over the last 10+ years, that for the most part the role and function of the Auditor General continues to evolve and play an integral part of the Westminster system of parliamentary democracy.

A recent example of this evolution was the *Local Government Amendment (Auditing) Act 2017*, which gave the Auditor General the mandate for financial and performance audits of local governments. This is an important step in increasing transparency and accountability of local governments, providing assurance to Parliament and the wider community.

A number of professional relationships contribute to the success of the Office. I would like to thank my colleagues from the Australasian Council of Auditors-General and the Integrity Coordinating Group for the information sharing, support and strong working relationships.

I also thank the Parliament of Western Australia and in particular, the past and current members of the Public Accounts Committee and the Estimates and Financial Operations Committee for their continued support and interest in the work of the Office.

Finally, I acknowledge the hard work, professionalism and dedication of my Executive team and staff. I hand over the reins to Caroline with great pride – the quality work we do is important and does make a difference. But I take little credit for it – an AG can only be as good as the team they lead and I have been fortunate over the last 10+ years to have had a great team working with me.

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

Colin Murphy PSM
Auditor General 2006-2018
At 25 May 2018

From the Auditor General



I feel privileged to be serving the Parliament and people of Western Australia in this important role. In 2015, I was appointed by the WA Parliament's Joint Audit Committee to lead a review, required by legislation, of the performance of the OAG. I

found this was a very well-functioning Office, with no fundamental failings, albeit with a few opportunities for improvement.

And so far, since commencing as Auditor General, my view has not changed. As demonstrated throughout this annual report, this is a great audit office, with highly skilled and passionate people delivering quality work that matters to Parliament and the community.

However, this is a time of increased expectations and some change for the OAG. Most significantly we have the introduction of local government auditing (pages 12-13).

More broadly, we are in a period of extensive public sector reform. Machinery of Government changes have touched most agencies and with that comes increased risk around governance and controls as people, systems and responsibilities move, merge and evolve.

Beyond the sector, our profession is changing. The use of data analytics has the potential to change the way we operate in delivering efficient, effective audits that capture a broader sample than traditionally economical. There is also the ever-challenging expectation of what audit is and what it is not.

Underlying all this is the erosion of trust in public institutions. As public sector auditors, we have a unique and challenging role in holding governments to account while not recklessly eroding public trust further. Our reports must provide balance when informing decision-makers and the community of what is working well and what can be improved.

To build on the strong legacy of my predecessors and keep the best of the heart and soul of this Office, while adapting to the change around us, is my aim. To continue turning out high quality work, while building the capacity of those we audit and those who assist us, particularly in the regions, in a time of increased output will not be without its challenges.

Throughout this report we have highlighted some of the key initiatives we will be progressing throughout 2018-19 and beyond. In particular, the 4 key focus areas my Executive team and I are committed to advancing in the next 12 months are:

- local government audit reform (page 12)
- monitoring the risks to accountability and transparency in a period of significant state sector reform

- increased efficiency-focused performance audits to identify potential savings (page 53)
- securing the impact of the work of the OAG through better practice guidance to assist the broader public sector and improve the work of state and local government audit committees (page 77).

Since starting in this role in late May, I have met with over 100 key stakeholders, including the Public Accounts Committee, the Estimates and Financial Operations Committee, many Members of Parliament, a large number of chief executive officers and board and audit committee Chairs, local governments, contract audit firms, the Australasian Council of Auditors General, professional groups and so forth. The message coming loud and clear from all these interactions is that the role of this Office is highly valued and respected.

I look forward to working across the public sector and beyond to continually learn and improve in our own operations and identify those things that we can share across the state and local government sectors. In this way we will continue to add value and continue to be respected for it.

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

Caroline Spencer
Auditor General

About our new Auditor General

Caroline Spencer began her 10-year term as Western Australia's 19th Auditor General on 28 May 2018



Caroline Spencer

BBus, FCPA, CA, GAICD, FGIA, FCIS

From a personal perspective the role of Auditor General is a position I feel immensely privileged to hold. My passion lies in promoting accountability and continuous improvement across the public sector and the audit profession – to enhance trust and performance for the benefit of the communities we serve.

I have worked in small and large professional services firms in Sydney and Canberra, undertaking engagements across Australia and overseas in the private, public and non-profit sectors. It was my move to Canberra with one of the then 'Big 5' accounting firms that sparked my deep interest in the public sector. I enjoyed the challenge of engaging with matters on a whole-of and cross-jurisdictional scale, examining agencies and programs that deliver essential services and have an impact on people's lives.

I co-founded a professional services firm 10 years ago and led a team of financial and performance audit professionals specialising in public sector audit and governance. I have held appointments on a number of public sector boards and audit committees.

In my auditing work across jurisdictions and regions, I continue to see the social and economic impact of the vagaries of the seasons and the importance of resilient rural communities, which was impressed upon me from an early age. I was raised in Sydney with roots in rural NSW – although we lived in the city, my parents were partners in a 4000-acre beef cattle property until I was 11 years old, and we spent many weekends and holidays there. Connection with Australia's rural landscapes and people remains important to me.

I moved with my husband and two sons to Western Australia in May 2018 to commence my 10-year term as the state's 19th Auditor General. We are looking forward to further exploring this magnificent state and discovering its unique places and stories.

Figure 3: Caroline Spencer was sworn in by the Governor of Western Australia, His Excellency The Honourable Kim Beazley AC

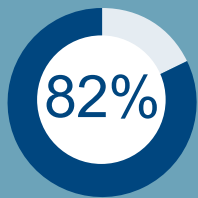
Year in review

Our results

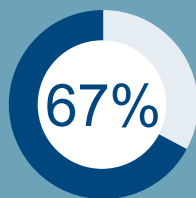
Overall member of Parliament satisfaction:



Overall auditee satisfaction:



financial audits



performance audits

Average days to issue financial audit opinions:



We audited

State agencies



183 agencies and subsidiaries

with over 140,000 employees



managing \$228 billion in assets



Local governments

we started 46 local government financial audits for 2017-18



within 4 years we will audit all 148 local governments and regional councils

We delivered

27 performance audit reports



98 recommendations

233 certifications of financial and statistical information



23 opinions on ministerial notifications

183 opinions on financial statements



Highlights 2017-18

- The *Local Government Amendment (Auditing) Act 2017* was proclaimed, giving us the mandate to start **local government auditing**. We began an active engagement campaign, getting to know our new clients, and tabled our first local government focus area audit reports into *Controls Over Corporate Credit Cards* (page 74) and *Timely Payment of Suppliers* (page 76).
- We launched a concerted effort to identify quality, **regionally-based firms** that may be interested in performing audit work for the OAG. Not only will this assist with our new local government audit program, but importantly, it will also build capacity in the regions and contribute to the economic wellbeing of regional communities (page 47).
- The Special Inquiry into Government Programs and Projects found the Auditor General's performance audit reports to be a consistently **valuable source of information** and highlighted the importance of the public sector embracing OAG recommendations. The special inquiry report is available at www.publicsector.wa.gov.au.
- The results of our 2018 **members of Parliament survey** were again very positive with an emphasis on the clear and concise language in our reports (page 59).
- The results of our 2017-18 **survey of financial audit entities** were again very positive overall – more so than last year – due to increases in ratings relating to audit reporting and the value of the financial statement audit (page 47).
- We were pleased to host **international delegations** from the Audit Board for the Republic of Indonesia and from Landgate's fellowship program for land administration professionals from Argentina and Paraguay (page 61).

Significant issues 2018-19

- As per the *Local Government Amendment (Auditing) Act 2017*, the Office has taken on 46 **local government financial audits** for 2017-18. We will then incrementally take on the financial audits of the 102 remaining local governments by 2020-21 (page 134). This represents approximately 80% increase in the number of entities we audit and is the biggest change implemented by the OAG since the introduction of performance audits in 1985.
- We have also expanded our performance audit program to include **local government performance audits**. As evidenced by the passage of the relevant Bill through Parliament and the associated speeches, there is substantial expectation of what can be achieved through performance auditing of local governments. This is a challenge we are prepared to rise to, acknowledging however that the extent of our performance audit program is determined by the appropriation we receive to do this work, which is growing from \$1 million in 2017-18 to \$2 million in 2020-21.
- Our publicly stated objective for some time has been to expand the performance audit component of our work to above 30% of the cost of our total audit effort. This recognises the parliamentary and community interest in performance audits and the value these audits can deliver to government, particularly in identifying opportunities for efficiency savings (page 53). However, our **annual net appropriation** for state sector performance audits and related business support services will progressively decrease from \$7.044 million in 2015-16 to \$6.310 million for 2020-21. This is mainly due to government initiatives to reduce spending to address the state government budget deficit.
- The **Machinery of Government changes** continue to be implemented by agencies. As a result, our financial audit effort increased to evaluate the controls and key performance indicators of the new agencies and to verify the transfer of assets and liabilities account balances.
- Government confirmed in its response to the Special Inquiry into Government Programs and Projects (February 2018), that it will 'extend the powers of the Auditor General to enable access to cabinet documents and documents subject to legal professional privilege'. Over recent years, we have been **unable to access some documentation** required to form an opinion on notifications, which in worst case scenarios can prevent the issuing of an audit opinion. We are continuing to work with the Department of Treasury to address these issues as part of the current review of the AG Act (page 16).
- Responding to notifications from a Minister under **section 82** of the *Financial Management Act 2006* is unplanned work that continues to draw resources away from our performance audit program (page 53). We are working with the Department of Treasury about options to have this cost reimbursed.

Local government audit reform

A significant change

On 28 October, the *Local Government Amendment (Auditing) Act 2017* (LG Act) was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and 9 regional councils. Parliament gave the Auditor General this mandate to enhance accountability and transparency across the sector. This change brings WA in line with other Australian states and New Zealand.

The LG Act allowed the Auditor General to start performance and focus area audits from the date of proclamation, while responsibility for financial audits will progressively transition to the Auditor General, as local governments' existing audit contracts expire.

Preparing for our new mandate

Since November 2017, we have been running recruitment campaigns to ensure the Office is adequately staffed to manage the new mandate.

We have hired performance auditors, financial auditors and non-operational support staff.

We have also been running in-house training to equip staff with the necessary knowledge to take on local government audit.



Working with audit firms

As well as getting to know local governments, we have worked extensively with the audit firms who have previously conducted local government financial audits in order to:

- see when their existing audit contracts expire, to determine when we will become responsible for a local government's audit
- consider if they meet our quality criteria requirements for conducting financial audits and are eligible to be recontracted by the OAG
- preapprove firms so they can tender for state and local government audits.

To allow for an easier transition in the first year we start a local government's audit, we will appoint their previous audit firm to conduct the audit, given the firm meets our transitional audit quality requirements. In the second year, the audit will go to tender.



Getting to know local government

The first phase of communications was pre-and immediately post-legislation, including the issuing of our first 2 focus area audit reports. Our strategy focused on the new legislation, the new role and profile of the Auditor General and the OAG, and the mechanics of how it will all work. We are now into the second phase of our communications strategy, post-legislation, which incorporates the majority of financial audits transitioning to the OAG and larger-scale performance auditing. Our main aim is to transition local government auditing into an everyday part of what we, and what local governments do.

The OAG is well placed to take on local government audits, with an experienced team of just over 145 full time equivalent staff. However, while we are experts in audit we recognise we are not experts in local government and we are keen to work with existing audit firms and local government to share and benefit from the different experience and knowledge.

To actively engage with local governments, we have:

☞ established a local government hub on our website including **30** frequently asked questions



☞ presented and met with councillors and staff at all **17** WALGA zone meetings



☞ presented and met with staff at **2** Local Government Professionals branch meetings

☞ attended **4** local government conferences across the state giving presentations and hosting information booths

Focus area audits

In 2017-18 we tabled **2** local government focus area audit reports:

Controls Over Corporate Credit Cards
(see summary page 74)

Timely payment of suppliers
(see summary page 76)



Local government financial audits

The LG Act states responsibility for financial audits will transition to the Auditor General over 4 years, as local governments' existing audit contracts expire.

For the 2017-18 financial year the OAG is responsible for **46** local government audits. Three will be conducted in house and 43 have been contracted out to accredited audit firms.

This will increase to:

- **112** local governments for 2018-19
- **132** local governments for 2019-20
- All **148** local governments for 2020-21.

Local government performance audits

Our Office is well underway with our first local government performance audit into **procurement**. The report is expected to table in Parliament in the fourth quarter of 2018.

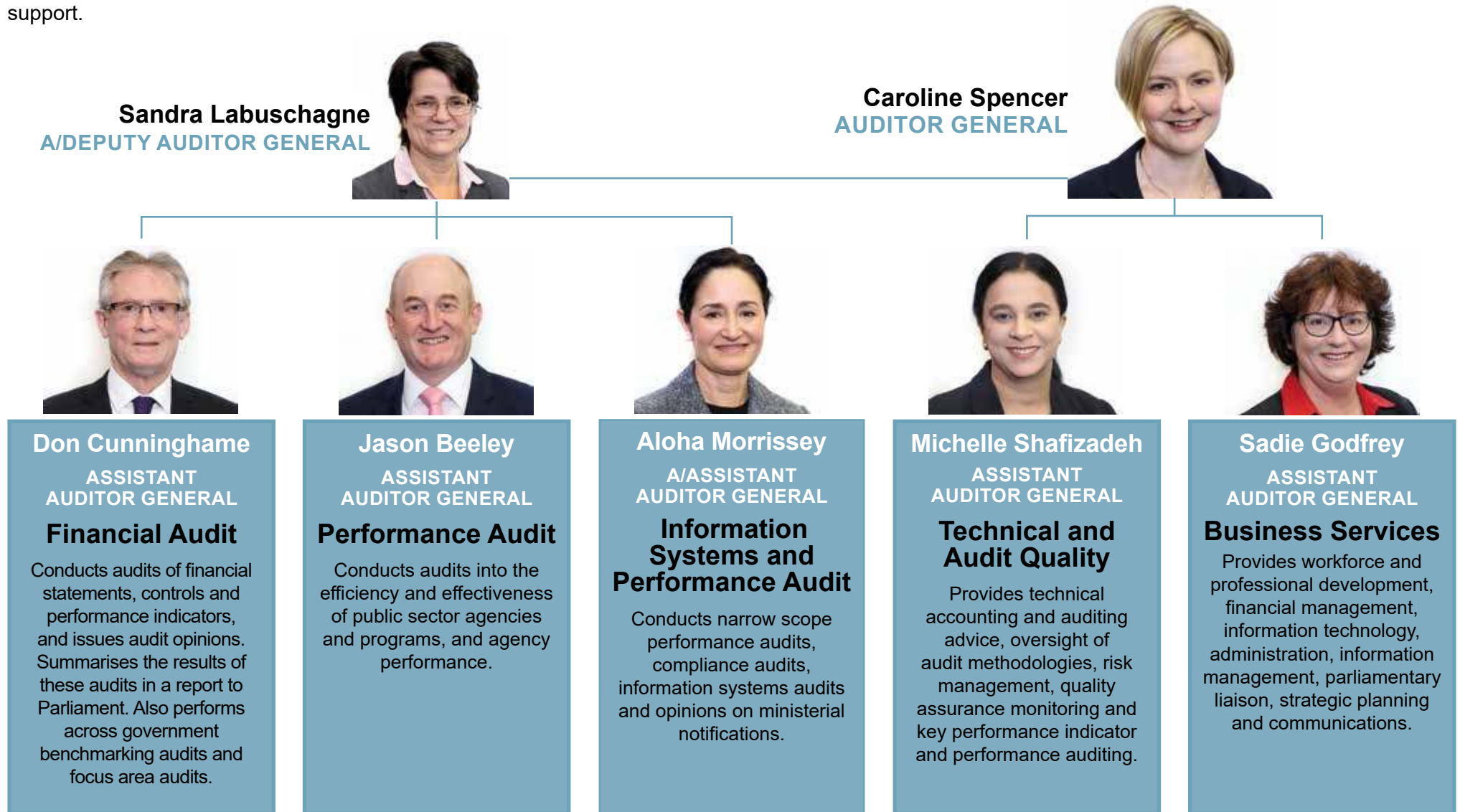
Unlike financial audits, which are paid for by each local government, performance audits are **funded by parliamentary appropriation**.

While performance audit will generally include a sample of local governments, our findings and recommendations are likely to be applicable across the whole sector.

Our forward audit program is available on our website – www.audit.wa.gov.au/auditing-in-wa/audit-program/

Organisational structure

Our Office has just over 145 full time equivalent staff and comprises 3 operational and 2 non-operational business units. The operational business units report to the Deputy Auditor General and develop our key products, including the annual financial audits and performance audits that culminate in reports to Parliament. The 2 non-operational business units report directly to the Auditor General and provide corporate, technical and audit quality support.



Senior officers

The 7 members of the Executive Management Group (Executive) set the strategic direction and organisational values that define the activities of the OAG.

Caroline Spencer

BBus, FCPA, CA, GAICD, FGIA, FCIS

Caroline has extensive experience in financial and performance audit across jurisdictions and sectors. Prior to commencing as Auditor General, Caroline was Managing Partner and co-founder of a Canberra-based professional services firm, specialising in public sector audit and governance. Caroline has held a number of predominately public sector board and audit committee roles in several jurisdictions.

She is a Fellow and non-executive Director of CPA Australia, Chartered Accountant and graduate of the Australian Institute of Company Directors and the Governance Institute of Australia. She has a Bachelor of Business from the University of Technology Sydney.

Profile on page 7.

Sandra Labuschagne

BCompt, Hons BCompt CA (SA)

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

Don Cunningham

BCom, FCPA, CISA

Don joined the OAG 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 a director of financial audit before being appointed Assistant Auditor General in 2008.

Jason Beeley

BA Hons (Oxon), Dip Strategic Studies

Jason joined the OAG in 2006, following 5 years as a commercial and general manager in the defence and technology sectors. Jason 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.

Aloha Morrissey

BBus, Grad Dip Bus Admin, CPA

Aloha joined the OAG in 2002, and was appointed as a Director in the Information Systems and Performance Audit business unit in 2014. Prior to joining the Office, Aloha held a range of investigation and audit positions with the Australian Securities and Investments Commission and the Australian Taxation Office.

Michelle Shafizadeh

BBus, FCA, FCPA, FAIM, FGIA, GAICD, MIPAA, Registered Company Auditor

Michelle joined the OAG in 2010 and became Assistant Auditor General in 2011. Previously, Michelle was the National Assurance Services Technical Director for William Buck Chartered Accountants and before that, a 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. Sadie was previously Director of Corporate Services at the Department of the Registrar, Western Australian Industrial Relations Commission before joining the OAG as Assistant Auditor General in 2008.

Enabling legislation

The Governor appoints the Auditor General under the *Auditor General Act 2006* (AG Act). The OAG is a department of the public sector under the *Public Sector Management Act 1994*.

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

Looking forward

Review of the AG Act and relevant legislation underway

The Department of Treasury is reviewing legislation key to the operations of the OAG, including the AG Act, FM Act, *Western Australian Treasury Corporation Act 1986* and *Taxation Administration Act 2003*. This follows recommendations made in the Joint Audit Committee's review of the effectiveness of the AG Act, and other reviews.

We are assisting with this review where appropriate, particularly because there are a number of issues we are keen to see addressed, including:

- access to information restrictions around legal professional privilege and cabinet in confidence material (page 11)
- tabling of annual reports within 90 days of financial year end, which can cause issues if Parliament rises early (page 66).

Key legislation

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 our operations:

- *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*
- *Local Government Act 1995*
- *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

State government agencies work together to achieve 4 high level goals and broader strategic outcomes of the Western Australian Government.

Government goal	Outcome
Sustainable finances	Responsible financial management and better service delivery
Future jobs and skills	Grow and diversify the economy, create jobs and support skills development
Strong communities	Safe communities and supported families
Better places	A quality environment with liveable and affordable communities and vibrant regions

Table 1: Four state government goals

Agency outcomes are linked to the 4 government goals and the services and activities agencies deliver contribute to achieving the government outcomes.

Through our desired outcome, 'an informed Parliament on public sector accountability and performance' we provide oversight of government achievement of its 4 goals, including responsible financial management and better service delivery.

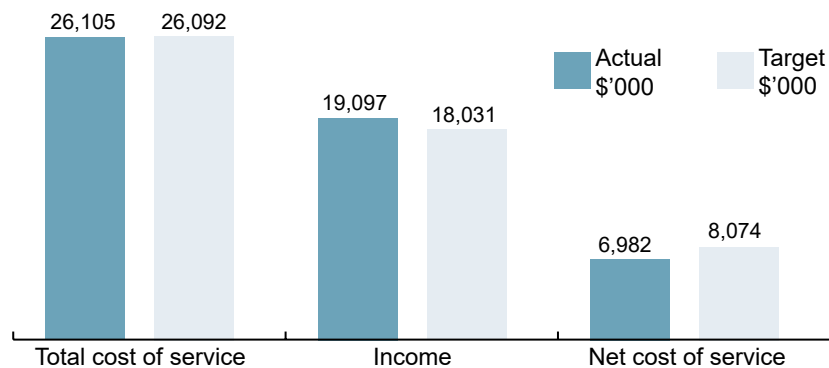
Our desired outcome and the service we provide reflects this:

Desired outcome against government goals	
An informed Parliament on public sector accountability and performance	
Service provided	
Public sector auditing	
Key effectiveness indicator	Key efficiency indicator
<p>The extent that OAG 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>OAG 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 million dollars of gross government expenditure • days taken to issue financial audit opinions.

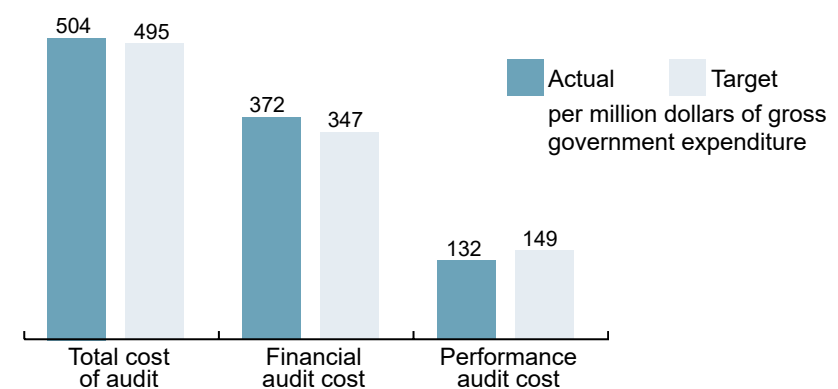
Table 2: Performance management framework

Our performance

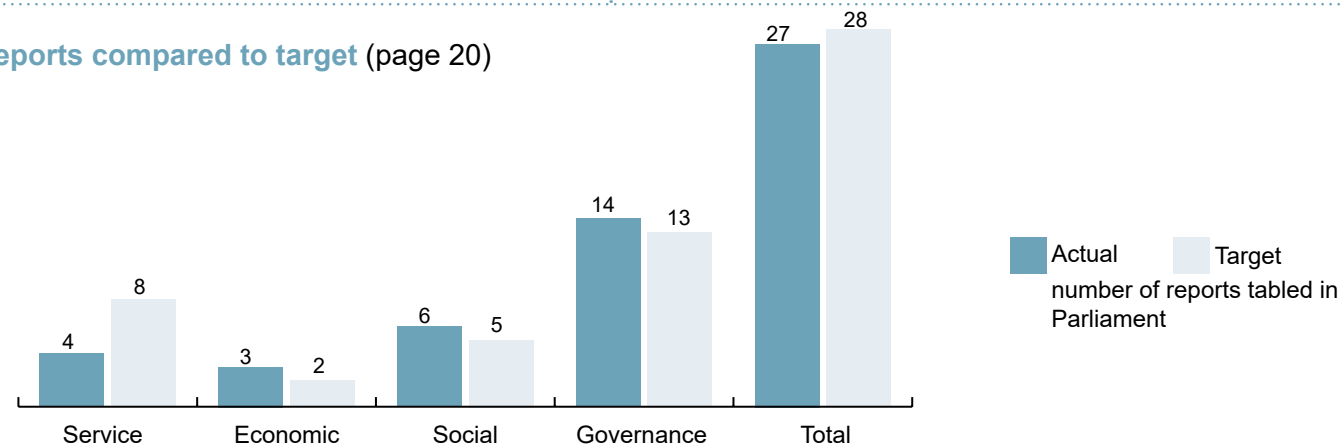
2017-18 financial performance compared to target (page 20)



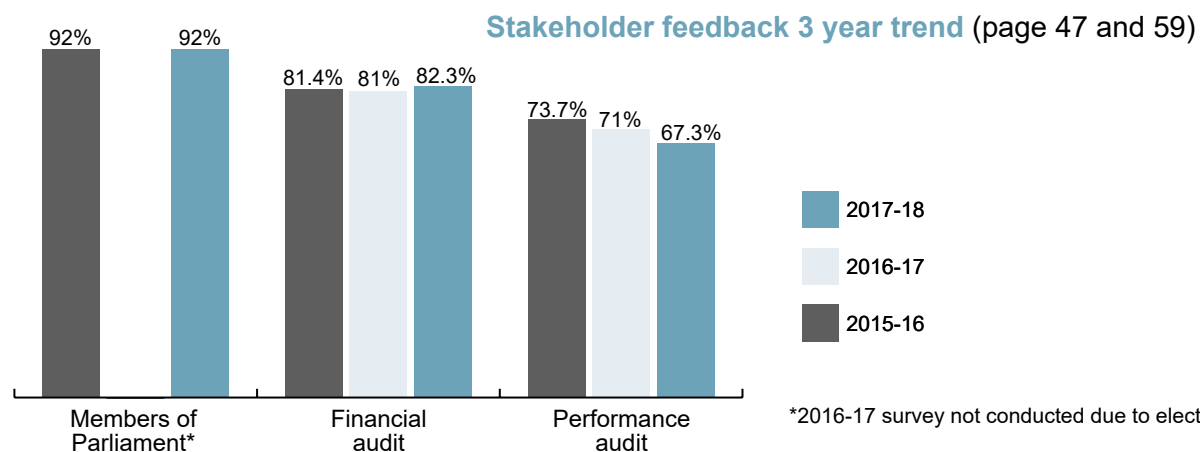
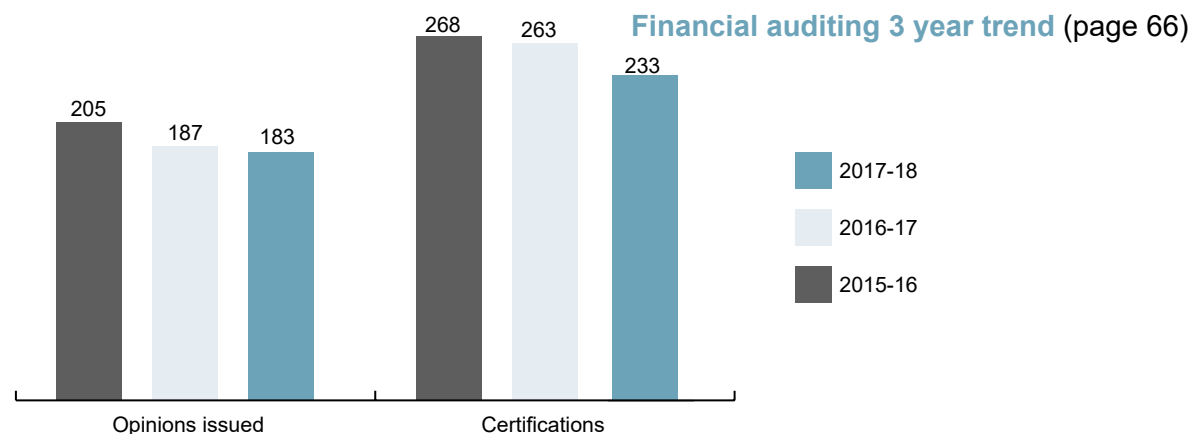
2017-18 efficiency performance indicators compared to target (page 21)



2017-18 performance audit reports compared to target (page 20)



Work that makes a difference and helps to improve the public sector



*2016-17 survey not conducted due to elections



Our performance

Financial performance

Full details of our financial performance are presented in the financial statements section of this report. The following summarises financial performance actual versus target for 2017-18.

	2017-18 Actual \$'000	2017-18 Target \$'000	Variation \$'000	Status
Total cost of services	26,092	26,105	(13)	✓
Total income other than income from State Government	19,110	18,031	1,079	✓
Net cost of services	6,982	8,074	(1,092)	✓
Total equity	13,790	12,360	1,430	✓
Net increase/(decrease) in cash and cash equivalents held	148	(486)	634	✓
Number of approved full-time equivalent (FTE) staff level	145	137	8	—

Table 3: Key elements of our financial performance

The variation in total income other than income from state government and additional FTE was due to audit work undertaken in local government and associated resourcing that was not in the target. A reduction in expenditure on capital projects resulted in an increase in cash balances and the level of cash holdings increasing compared to the target.

Further explanations are contained in Note 9.8 Explanatory statement to the financial statements on page 111.

Key effectiveness performance

Our effectiveness indicator shows the extent to which we have informed Parliament about public sector accountability and performance, against 4 specified categories. Full details of the categories and our performance are available on page 117.

Report type	2017-18 Actual	2017-18 Target	Status	Actual over 3 year	Target over 3 years	Status
Service delivery	4	8	✗	15	15	✓
Economic development	3	2	✓	7	9	✗
Social and environment	6	5	✓	9	9	✓
Governance	14	13	✓	51	42	✓
Total	27	28	✗	82	75	✓

Table 4: Our effectiveness indicator – number of performance audit reports

While we were 1 report short to meet our target for this year, we delivered well over our 3-year target. As explained in greater detail on page 117, we set 3-year targets for each report type. This year was the final year in our 3-year target range, which encompassed 2015-16 to 2017-18.

During 2017-18, we reported on a number of opinions on ministerial notifications that resulted in an increase in the number of governance reports tabled. The reallocation of audit resources to these reports resulted in a lower number of economic development and social and environment reports tabled.

Key efficiency performance

Our efficiency indicators measure the cost of our audits relative to government expenditure. Full details of our key efficiency indicators including 5-year trend data are available on page 118.

Efficiency indicator	2017-18 Actual \$	2017-18 Target \$	Status
Total audit cost per million dollars of gross government expenditure	504	495	X
Attest (financial) audit cost per million dollars of gross government expenditure	372	347	X
Performance audit cost per million dollars of gross government expenditure	132	149	✓
Average number of days taken after balance date to issue financial audit opinions	64.6 days	68.0 days	✓

Table 5: Our efficiency indicators

The increase in attest (financial) audit cost per million dollars of gross government expenditure was due to the additional local government financial audits performed that were not included in the original target.

The performance audit cost per million dollars of gross government expenditure was 11.4% below the target. Our desired strategy was not achieved largely because funding for performance audits has not matched our target to direct 30% of overall audit effort towards performance audits. The actual result was 26%.

The favourable variance between actual and target for the average number of days to issue financial opinions is due to agencies preparing financial statements and key performance indicators in a timelier manner and efficiency improvements in the audit process.

Additional indicator of our performance

Although not audited, we include this indicator because it is important in understanding our operational performance.

Parliamentary reports	2017-18 Actual	2017-18 Target	Status
Matters of significance to Parliament	231	n/a	–
Broad scope performance audits	8	9	X
Narrow scope performance audits	9	13	X
Across government benchmarking audits	8	4	✓
Annual financial audit results	2	2	✓

Table 6: Parliamentary reports by audit type

While we aim to meet our report targets, we are also at times required to reallocate resources to other audits. During 2017-18, the reallocation of audit resources resulted in a lower number of broad and narrow scope performance audit reports tabled.

Our strategic direction

We are now 2 years in to our Strategic Plan 2016-2020, which was endorsed by Executive in February 2016. Importantly, this plan is dynamic and where necessary – in response to our changing environment, emerging concerns or opportunities – we review the actions, measures and targets to ensure they remain relevant and current so we can be confident that the areas of focus will deliver the required outcomes.

Our strategic plan rotates around 4 key areas of the business that we have identified as important to achieve our vision and mission.

Our People working with **Our Tools** with the right **Approach** will deliver **Our Products** which will fulfil our **Outcome**:

Work that makes a difference and helps to improve the public sector.

- We have identified that we need our people to be motivated, innovative, collaborative, accountable, valued, skilled and knowledgeable.
- Our tools are vital in supporting our people achieve our goals. We believe our tools need to be robust, efficient, user-friendly, flexible, agile, reliable and compliant.
- Our approach needs to be consistent, fair and balanced, independent, transparent, pragmatic, professional and contemporary.

Together these 3 areas working at an optimum will ensure our products are recognised as value for money, timely, relevant, accurate, quality and innovative.

We have 3 key internal plans which are integrated with our strategic plan to ensure that all areas of the business are working in the same direction to deliver common goals. These are the Workforce Development Plan, Information Technology Plan and Communications Plan.



Figure 4: The OAG Strategic Plan 2016-2020

The new Auditor General and our Executive team are working towards a full review of our existing Strategic Plan to take into account evolving priorities for the OAG. This includes the 2018-19 activities highlighted throughout this report as well as the key priority areas of:

- local government audit reform (page 12)
- monitoring the risks to accountability and transparency and service delivery in a period of significant state sector reform
- increased efficiency-focused performance audits to identify potential savings (page 53)
- securing the impact of the work of the OAG through better practice guidance to assist the broader public sector and improve the work of state and local government audit committees (page 77).

In order to provide our key client, the Parliament of Western Australia, with work that is current, relevant and of value, it is important that we consider and where required, adapt to meet the changing public sector environment. The nature of service delivery and expectations on state and local government is changing and we want to be sure our strategic planning process takes into account factors such as:

- significant changes across the sector such as the state government's Machinery of Government reforms and the health and education sector reforms
- key reviews, such as the Service Priority Review and Inquiry into Government Programs and Projects
- the current fiscal environment.

We are aiming to have completed the review of our strategic plan by the end of 2018.

CASE STUDY Real life test of our BCMP

On Monday 16 July 2018, flooding from a burst hot water system meant we were unable to access our office. Building management could not tell us how long we would be affected, so we activated our Business Continuity Management Plan (BCMP) to minimise the impact to our business.

The BCMP proved invaluable. Our employees were kept up to date throughout the crisis with many able to work from home or at other agencies. We had no damage or notable issues with our IT server room and systems. We used social media, email and mobile phones to communicate with employees and key stakeholders and we transferred our incoming calls to a central point.

Most notably, we successfully enacted our secondary site. As part of our BCMP, the OAG has a reciprocal crisis accommodation arrangement with the Public Sector Commission (PSC). This meant that PSC were ready to accommodate key OAG employees at their offices at Dumas House.

Fortunately, we were able to return to our offices within 2 days. So while the crisis was not as bad as it could have been, it gave us an opportunity to test out our BCMP. We have identified a number of improvements as a result of this experience, which we have since actioned. However, for the most part, our BCMP worked well and was effective in minimising any disruption to our business.



Figure 5: Working from our BCMP-designated secondary site

Our people

145

full time
equivalent staff



55%

of our people are from
culturally diverse backgrounds



80%

employees recommend
the OAG to others
as a good place to work



Motivated, innovative, collaborative, accountable,
valued, skilled, knowledgeable

9,800

hours of training



11

wellness initiatives



Our people

It is only through the skills, dedication and enthusiasm of our people that we are able to efficiently and effectively deliver quality audit services to Parliament, the public sector and the people of Western Australia.

It is vital that we focus on having the right people in the right positions to meet the challenge of an increasing audit program while staying conscious of the state's economic environment.

While the Auditor General is an independent officer of Parliament, the Office of the Auditor General (OAG) is a public sector department, subject to the obligations and constraints of the *Public Sector Management Act 1994*. As shown in Table 7, we have had an increase in full time equivalent (FTE) staff this year, primarily to resource our new local government audit mandate (page 12).

Business Unit	2013-14	2014-15	2015-16	2016-17	2017-18
Auditor General	5.8	5.0	6.0	6.0	5.0
Financial Audit	65.2	66.3	64.88	68.48	73.68
Information Systems and Performance Audit	13.4	16.1	16.66	16.60	17.44
Performance Audit	15.0	19.0	14.72	16.55	18.56
Technical and Audit Quality	5.8	5.8	4.8	4.0	5.0
Business Services	22.2	22.5	25.21	23.58	25.5
Total	127.4	134.7	132.27	135.21	145.18

Table 7: FTE at 30 June for the last 5 years

Our attrition rate increased this year to 11% (from 7.35% in 2016-17), with 16 employees leaving the OAG in 2017-18. This includes 7 resignations, 5 transfers to other public sector agencies and 4 retirements.

Notably, the former Auditor General and Deputy Auditor General retired in the same financial year. The number of permanent transfers to another public sector agency has remained consistent as our employees are recognised in the sector for the valuable audit work they deliver.

We regularly review our retention strategies and other initiatives in our Workforce Plan to enhance our recruiting competitiveness and employee retention. This includes using professional development as part of our succession planning.

Learning and professional development

Our annual professional development program, developed by our Professional Development (PD) Committee and approved by the Executive Management Group (Executive), is designed to meet the needs of the Office and individuals.

This year, local government awareness and training was a key focus of our extensive program that delivered in excess of 9,800 hours of in-house and external training.

We receive a number of benefits through our ongoing Recognised Employer Partner Status with CPA Australia – most notably automatic continuing professional development recognition for our CPA members. Similar benefits to CA provisional members are available due to our recognition by the Chartered Accountants Australia and New Zealand (CAANZ) as a Recognised Training Employer.

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

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

The PD Committee arranges speakers to deliver other targeted sessions on specific topics and to provide specialist or technical guidance. Employees undertaking CPA Australia and CAANZ post graduate accounting studies receive targeted study support.

Our regular PD program includes technical and non-technical learning and is the primary vehicle for whole-of-office training. We source specialist internal and external guest speakers to lead sessions.

Plain English training continues to support our long-standing commitment to clear, concise, jargon-free report writing.

We are in the final stages of implementing our new ELMO talent management software. This e-learning software will allow us to deliver a more comprehensive and targeted suite of online training to our employees. It will also allow us to easily monitor compliance and training requirements and generate business intelligence and reports.

Looking forward

Further building the skills, knowledge and expertise of our employees

Reflecting its commitment to a highly skilled, qualified and supported workforce, Executive recently agreed to pay for one approved professional membership per employee, to an annual cap of \$800. These include professional memberships that are:

- mandatory – individuals are required to maintain membership as an essential criterion for their position (e.g. CA, CPA)
- non-mandatory – not essential criteria for employment but membership provides the opportunity to maintain a level of professional currency which adds value to the skill and professional capacity of staff and from which the OAG benefits.

Payment of capped professional memberships reflects standard practice in public and private sector audit firms and is also a positive attraction and retention strategy.

We will implement the new policy in 2018-19.

Performance development and review

We continue to assess our employee performance development and review tool, and having developed the tool online in the new HR system, we are trialling it for rollout across the business.

Through training on effective performance management and assessment techniques, managers are increasingly aware that clear expectations are fundamental to meaningful and constructive performance reviews. Our new online forms will prompt discussion to effect those reviews.

Graduate recruitment and support

We were pleased to welcome 6 financial audit graduates in January 2018. Our advertised recruitment program attracted 78 applicants, with 29 shortlisted for interview.

Our intensive 5-week induction and training program provides a strong foundation from the very beginning of our graduates' time with us and includes:

- introduction to the OAG and the broader public sector
- professional behavioural and customer service standards
- practical auditing
- legal compliance requirements
- a 3-week practicum.

The 3-year training program that follows supports our graduates through their key technical development period and their professional studies.

Secondments

The cost-effective, efficient practice of employees seconded out of the OAG to other agencies broadens their experience, improves expertise and increases skill sets. Likewise, those employees seconded in from other agencies provide benefit through different perspectives, ideas and suggestions. Additionally, they carry acquired skills and knowledge back to their home agencies.

Our unique inter-jurisdictional and international relationships with other audit offices in Australia and around the world allows us to offer outstanding secondment opportunities for interested employees. We currently have 1 employee on secondment with the British Columbia Audit Office and 1 employee with the Victorian Auditor-General's Office.

These placements are mutually beneficial, offering a way to share audit knowledge and expertise throughout and beyond the Australasian Council of Auditors-General (ACAG) community.

Placements	2013-14	2014-15	2015-16	2016-17	2017-18
Into OAG	6	3	4	5	6
Out of OAG	11	9	11	7	9
Total	17	12	15	12	15

Table 8: Secondments in and out of OAG for the last 5 years

University liaison program

Targeted sponsorship of business school awards and scholarships at Edith Cowan University (ECU), Murdoch University, the University of Notre Dame Australia and the University of Western Australia acknowledges the value of our strategic relationships with the universities. The Auditor General also has regular involvement at student events speaking about the importance of public sector audit.

We further enhance our relationships with the universities through unpaid student placements, which help promote us as a potential employer, as well as rewarding participants with credits in their units of study.

A unique placement opportunity in our Information Systems Audit unit, where they receive high-end exposure to complex IT environments, delivers mutual benefit to ECU students. Students develop and enhance software, draft management letters, and analyse and track systems with extranet facilities.

Equity and diversity

Over half of our employees come from culturally and linguistically diverse and non-English speaking backgrounds. This provides opportunities as well as unique challenges, especially in the area of communication skills.

We provide a range of tools to assist with communications including speech therapy and introductory plain English workshops, which are also stepping-stones for more advanced training.

We also provide easy access to online tools such as the Macquarie Dictionary, which includes an English pronunciation tool, via our intranet.

Our regular workplace behaviour and equal employment opportunity training is delivered to our graduates and new employees as part of their induction program, presenting and clarifying behavioural expectations.

Equity and diversity	2013-14	2014-15	2015-16	2016-17	2017-18
Women	56.0	59.0	55.15	62.41	57.14
Aboriginal	0.0	0.0	0.0	0.0	0.0
People from culturally diverse backgrounds	34.0	34.0	33.83	45.86	54.65
People with disabilities	1.3	0.74	0.74	0.0	0.62
Youth (24 and under)	6.8	6.0	5.89	6.02	3.72

Table 9: Each diversity group as a percentage of our workforce

Looking forward

Inaugural OAG Reconciliation Action Plan

In July 2018, Executive approved our first Reconciliation Action Plan 2018-2021 (RAP).

Our inaugural RAP states in simple, clear terms the number of activities and deliverables we aim to implement to contribute to reconciliation with First Nations people.

The goals of the RAP are to:

- promote cultural understanding and influence everyday behaviour to enhance Aboriginal community contribution to our work (building and maintaining better relationships) and to enhance the impact of our work in contributing to improved outcomes for Aboriginal Western Australians
- embed cultural elements in the OAG's events and activities for mutual benefit (mutual respect and understanding of the unique contribution of Aboriginal people)
- use collaborative processes with Aboriginal people and communities where appropriate to inform the credibility and influence of our work (leading to equal opportunities).

We are committed to the RAP and have set relatively high targets. This includes increased procurement of goods and services from Aboriginal business enterprises, where we are aiming for 3% of all non-accommodation contracts to registered Aboriginal businesses by July 2019 and 4% by July 2020; and, purposeful engagement with Aboriginal communities, with a target of 100% of relevant or related audit topics having Aboriginal community engagement.

Executive will develop and facilitate implementation of actions required to achieve the RAP's deliverables; track and report on progress; and monitor our contribution to reconciliation.

Code of Conduct

Annually all employees acknowledge their understanding of and commitment to our Code of Conduct, and their compliance with legislation, internal policies and professional standards of conduct. This formalises and acknowledges our commitment to the highest standards of corporate governance.

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

Public Sector Commission report on bullying

In October 2017, the Public Sector Commission issued its report into the arrangements used by 6 public authorities including the OAG, to prevent and manage bullying. The evaluation considered the extent to which policies, procedures and management practices were demonstrated against a number of criteria.

We were pleased to receive a very positive final assessment with only minor opportunities for improvement noted.

Grievance resolution

Regular education and awareness sets the OAG's expectations about appropriate workplace behaviour; and support resources are promoted on the intranet and on posters around the office. The names and contact details of employees trained in grievance resolution are published as well as those of our Human Resources team.

Occupational safety and health

The Audit and Risk Management Committee reports to the Executive, monitoring trends, maintaining awareness of serious issues and being satisfied that risk management is timely and appropriate.

Our Business Services unit has day-to-day responsibility to ensure that the workplace, facilities, equipment and systems do not expose employees to hazards.

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 documents are readily available on our intranet, including:

- Occupational Safety and Health Policy
- Management of Ill or Injured Workers Policy
- Working from Home Policy
- Reasonable and Flexible Working Hours 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 2 different levels of training – non-supervisory employees, and supervisors and managers. Through monitoring and reporting to Executive on training completion rates we can identify areas for further training.

Our statement of commitment and performance in 2017-18 on occupational safety, health and injury management is reported on page 125.

Wellness Committee

Our Wellness Committee promotes healthy activities and general wellbeing. This year the committee organised a number of wellness initiatives including:

- Well at Work e-magazine
- meditation sessions
- The Meaning of Work presentation
- flu vaccinations
- promoting National Day of Action against Bullying and Violence
- ergonomic 'quick' assessments
- promoting RUOK? Day, Mental Health Week and a mental health lunchtime webinar
- local gym special offers, including Women's Health Week
- promoting 2018 Will Week
- volunteering opportunity during National Volunteer Week
- blood donations.

Employee suggestions and ideas

Through our online suggestion box employees can ask any question or make a suggestion. Responses are coordinated and posted on the suggestion board for employees to view.

This year we launched a new newsfeed on the homepage of our intranet where employees can post non-work related information such as appropriate social items, events, fundraising and special interest links.

We also have an online idea box known as the innovation wiki, that allows employees to share and build on others' innovation ideas.

Employee assistance program

The services offered through our employee assistance program includes independent counselling, advice and support to employees and their immediate families. A key tool for supporting employee resilience, especially during peak business cycles is our provider's online app. Employees and their immediate families can download a mood checker, podcasts, guided meditations, heart rate monitor and resilience exercises.

Our annual report on the program is de-identified, allowing Executive to analyse trends and make decisions on remedial actions such as awareness raising, health and wellbeing promotion and training.

This year we reviewed our program contract and following a tender process we approved a new service provider.

Doing our bit for charity

We have long participated in fundraising activities and take pride in doing our bit for charity. We hold various activities throughout the year and we choose a main fundraiser each year, which this year was Cystic Fibrosis WA.

Social club

Almost half of our employees are social club members and many non members attend social club events. Key events during the year included the annual general meeting, a welcome sundowner for new graduates, an autumn breakfast, end of financial year lunch, sundowners and Christmas lunch.

Office forums

We have a highly mobile workforce with the majority of our auditors working away from our office. To bring them together we conduct 4 forums a year to:

- communicate strategic imperatives, challenges and achievements for the office
- inform employees of current or emerging issues
- share relevant performance information such as how we are performing against our strategic 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 returning from secondments, to share lessons learned.

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

Employee survey

Every 2 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.

We conducted the survey in April 2018 and 62% of our employees participated, similar to 2016. The clear majority (almost 80%) said they would recommend the OAG to others as a good place to work. The top 5 reasons for working at the OAG were:

1. flexible working arrangements
2. varied work and clients
3. level of autonomy in my job
4. seeing results from my work
5. friends and supportive workmates.

The results showed a slight decline in the level of satisfaction with performance feedback. Our new online performance development and review tool (page 27) is aimed at addressing these concerns and Executive will continue to work with managers to look for ways to improve in this area.

Employees also perceived a drop in effective communication across different business units within the Office. This was in line with a number of employees also saying that business units are not working towards the same goal.

The number of employees who agree that our workplace is free from bullying and harassment increased – however, this result was still less than 50%. While this is a very subjective question, we take this very seriously and will continue to work with our people to address any concerns in this area. We have recently introduced a culture sub-committee and in 2017 we had specific training and focus on bullying and harassment. A Public Sector Commission report (page 29) was very positive about our approach in this area, however, as the survey results show there is always more we can do.

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.

Looking forward

Employees leading the way to better cultural outcomes

In July 2018, we introduced a new organisational culture sub-committee that will provide advice and recommendations to our Executive to further improve the OAG culture. The Auditor General chairs the committee, which is made up of a selection of employees with different roles and perspectives from across the Office.

The Auditor General has also started 'brown paper bag' lunch sessions where she informally meets with employees over lunch to discuss their thoughts, concerns and ideas.



Figure 6: Brown paper bag lunch with employees

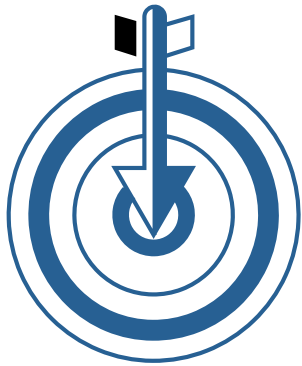
Our people at work

Our employees said friends and supportive workmates was in their top 5 reasons for working at the OAG.



Our tools

We use **9** key principles
to help us achieve
good governance



Welcomed a **NEW**
independent chair of
our ARMC

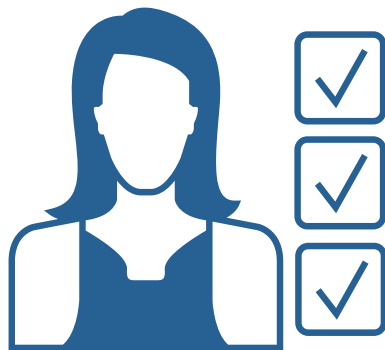


Used data analytics
for **2** audit reports



Robust, efficient, user friendly, flexible,
agile, reliable, compliant

Self assessed against **3** of our
across government benchmarking audits



Our tools

Governance

We are committed to achieving and demonstrating good governance. In monitoring and assessing our own performance, we use the 9 key governance principles of the Public Sector Commission's Good Governance Guide to assist us to achieve a high standard of organisational performance.

Governance principle	Our commitment
1. Government and public sector relationship <i>The organisation's relationship with the government is clear.</i>	We have structures and processes in place to ensure independence is maintained and to enable clear communication and interaction between us and members of Parliament and state government agencies and local governments.
2. Management and oversight <i>The organisation's management and oversight is accountable and has clearly defined responsibilities.</i>	Our Strategic Plan clearly defines our vision and the strategies we will undertake to achieve our outcomes, with clearly defined structures established for effective management and oversight.
3. Organisational structure <i>The organisation's structure serves its operations.</i>	<p>The leader of each business unit is a member of Executive, which is responsible for ensuring we achieve the outcomes articulated in our Strategic Plan.</p> <p>A number of committees support Executive.</p>
4. Operations <i>The organisation plans its operations to achieve its goals.</i>	Each business unit has an operational plan that identifies its work program and progress towards initiatives. These plans are key supporting documents for our Strategic Plan and reported on at Executive strategic planning meetings.
5. Ethics and integrity <i>Ethics and integrity are embedded in the organisation's values and operations.</i>	Ethical behaviour and integrity are core values that underpin our work. Our Code of Conduct defines the high standards we require from our employees.
6. People <i>The organisation's leadership in people management contributes to individual and organisational achievements.</i>	Workforce planning is a high priority and includes policies and strategies to enable the attraction, retention and management of people as well as development and growth.
7. Finance <i>The organisation safeguards financial integrity and accountability.</i>	Our finance policies and processes are consistent with accounting standards and we have formal structures to monitor actual versus budget. Financial performance is reported to Executive monthly.
8. Communication <i>The organisation communicates with all parties in a way that is accessible, open and responsive.</i>	We disseminate information efficiently and effectively following policies and guidelines to ensure our stakeholders are well informed, via the correct channels in a timely manner.
9. Risk management <i>The organisation identifies and manages its risks.</i>	A comprehensive Risk Management Framework forms an integral part of our Strategic Plan. The framework outlines the policies and processes relating to the management of risk and preventative measures to ensure our risk is within acceptable levels.

Table 10: Good Governance Guide references

Key governance arrangements

Executive Management Group

Our Executive Management Group (Executive) is our team of senior managers who plan, manage and lead our business (page 14). They set the strategic direction and organisational values that define the activities of the Office of the Auditor General (OAG). Chaired by the Auditor General, they meet monthly and hold informal weekly meetings.

Executive also holds specific strategic planning meetings at least twice a year to discuss strategic and tactical matters. They monitor the implementation of our strategies and measure performance against targets.

In December 2017, the Executive group was surveyed on its effectiveness. The results were largely positive with some opportunities for improvement identified. A key action from this survey was to review our monthly management report to determine if we are delivering the right content to effectively inform Executive decision-making and strategic direction. This review is well underway by the new Auditor General.

Office committees

A number of committees provide Executive with operational and administrative support. The committees have a multiple role of governance, inter-office engagement and employee development.

Information and Communication Technology Committee

Our Information and Communication Technology (ICT) Committee, meets regularly to discuss ICT projects, activities, opportunities and risks. The focus areas of the 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.

Audit methodology user groups

We have audit methodology user groups for a range of audit types including performance audit, key performance indicator audit and financial audit. The groups facilitate user feedback regarding audit methodologies to ensure they are appropriate to the needs of our organisational and operating environment. Also that they are aligned to the relevant Auditing and Assurance Standards and are effectively and efficiently used within the Office. Each group meets at least 2 times per year.

All new and revised Auditing and Assurance Standards are evaluated by our Technical and Audit Quality (TAQ) business unit for any impact on existing audit methodologies. TAQ makes recommendations to the user groups on the changes necessary to ensure that the audit methodologies comply with the standards.

During the year there were also changes to the financial audit methodology to reflect new and amended standards including those relating to:

- enhancements to auditors' reports on financial statements, including the communication of key audit matters for selected entities
- the biggest change to methodology with the implementation of a revised standard for performance audits, ASAE3500. Former Auditor General Colin Murphy was instrumental in leading the working group that compiled the standard
- assurance engagements on controls.

Audit and Risk Management Committee

Our Audit and Risk Management Committee (ARMC) meets regularly to provide oversight of systems of risk management, control and reporting in order to provide advice and assurance to the Auditor General on these areas of operation of the OAG. Professor David Gilchrist, University of Western Australia Business School, was the committee's independent chair from April 2016 to December 2017. Des Pearson, former Auditor General for Western Australia and Victoria, started as the independent chair on 22 June 2018. The remuneration details for this role is on page 122.

The key responsibilities of the committee are to:

- monitor the oversight of the Risk Management Framework
- coordinate our internal audit and external audit program
- monitor the effectiveness of the internal control system and that it is reliable, complies with legislation and reduces the risk of fraud and error
- oversee and manage our actions to address any internal audit, quality assurance and external review findings
- monitor the financial and key performance indicator (KPI) reporting process
- oversee our Business Continuity Management Program and treatment action plans.

The Committee, led by the independent chair, also includes:

- Michelle Shafizadeh – Assistant Auditor General, Technical and Audit Quality (bio on page 15)
- Jordan Langford-Smith – Senior Director, Financial Audit
- Peter Bouhla – Senior Director, Information Systems and Performance Audit
- Gareth Govan – Director, Performance Audit.

Des Pearson

Independent Chair of the OAG Audit and Risk Management Committee

Des Pearson's public sector career spans over 40 years and across 5 jurisdictions.

He was Victoria's Auditor-General from 2006 to 2012. Prior to this, he served as Western Australia's Auditor General for 15 years.

He is currently a Life Member and Fellow of CPA Australia; a Life Member and Fellow of the Australian Institute of Management; a National and Victorian Fellow of the Institute of Public Administration Australia; a Fellow of the Institute of Chartered Accountants Australia; and a Fellow, International Society of Engineering Asset Management.

Figure 7: Biography – Independent Chair of the OAG ARMC

Other committees

Several other committees provide focused advice and support to Executive, including the:

- Local Government Audit Implementation Steering Group
- Culture Committee (page 32)
- Office Consultative Committee
- Technical Determination Committee
- Professional Development Committee (page 26).

Risk Management Framework

We consider risk management to be a fundamental component of our work. Our comprehensive Risk Management Framework forms an integral part of the strategic planning processes.

The purpose of the framework is to:

- provide an overview of our risk management processes
- define the key attributes and objectives for the OAG's risk culture
- describe roles and responsibilities for managing risk
- outline the process for reporting on risk and ongoing monitoring and review.

The framework is complemented by the OAG Risk Register and business unit risk registers that identify and assess relevant strategic and operational risks and the treatment action plans that we have to address these risks.

Our Risk Register is supported by the OAG Fraud and Corruption Control Plan and the OAG Business Continuity Management Program, which address particular types of risks within specific areas of the OAG's operational activities.

The ARMC proactively manages the risks facing the OAG. An important component of this is setting and managing our annual internal audit program and overseeing the external audit process.

Policy framework

Our policies are designed to answer the most frequently asked questions on audit, administrative, accounting and personnel matters. They support and promote efficient and effective administration by providing consistent operational rules and procedures containing administrative and other compliance requirements.

We formally review our policies every 2 years and as required, undertaking an evaluation and assessment based on feedback from staff, and changes to legislation or other external environments.

Employees are informed of important policy changes by email, on the intranet and at staff professional development days.

Technical advice

Auditing, accounting and financial reporting knowledge and skills are fundamental to audit quality and performing efficient and effective audits. Our audit professionals are supported by the TAQ business unit which provides advice on auditing and financial reporting matters.

A **Technical Determination Committee** comprising senior staff from the Financial Audit business unit and the TAQ business unit is convened to provide advice on complex and contentious technical matters, to resolve differences of opinion about such matters, and to review all proposed modifications to auditors' reports. This committee may seek advice from external sources where necessary.

Efficiency and Effectiveness Plan

We strive to be efficient and effective in all areas of our business. Annually, we prepare an Efficiency and Effectiveness Plan aligned with our Strategic Plan. This plan includes a number of projects designed to identify ways in which we can operate more efficiently within our current resourcing and budget. We see how other jurisdictions and the private sector perform their role and how we may benefit from their experiences.

The key focus for our current plan is our financial audit work. We are considering a number of areas where we can tighten our approach to ensure efficient work, while maintaining our high quality standards and level of assurance. More broadly, we are also working to introduce digital signatures to allow staff to sign documents electronically. We expect this will streamline workflows, reduce resource-waste (paper and ink) and time.

CASE STUDY Using data analytics for efficiency gain

We are continuing to explore the use of data analytics to further improve the efficiency and level of assurance provided by our financial and performance audit work.

We train our staff to use data analytics tools and liaise with other audit offices to share experiences and knowledge in this area.

In 2018-19, we will be working with the Australasian Council of Auditors-General, to further identify opportunities to use data analytics.

During 2017-18, we used data analytic procedures to audit Journal Entries and Property, Plant and Equipment at a sample of agencies (July 2017) and to determine the strength of passwords for our Password Management in the WA State Government report, which we tabled on 15 August 2018.

Figure 8: Increasing our use of data analytics

Information systems

Our Information Technology Strategic Plan is aligned with the OAG Strategic Plan and includes objectives and initiatives to deliver:

- increased responsiveness and flexibility in meeting business requirements
- better governance around ICT service delivery and project management
- increased integration of current business information systems
- innovative and effective use of our current suite of business information systems infrastructure
- improved security and integrity of information.

Over the last 12 months we:

- provided new laptops to employees to replace ageing technology and to allow for a laptop memory upgrade
- replaced obsolete smartboard and projector technology with touch screens, which provide better laptop display
- provided our financial audit staff with external monitors for use when they are working remotely
- implemented a board meeting management system for all our committees to use, replacing our previous paper-based board meeting system with a fully electronic system providing remote access and full security
- implemented a swipe card system for network printers, which provides additional security over hardcopy output and reduces print waste
- extended our secure email gateway to provide email business continuity, allowing staff to access their emails even if our email server is offline
- upgraded remote device data plans from 2GB to 4GB, providing additional data capacity for all OAG staff working remotely.

Our 2017-18 Capital Works spend is on page 120.

Looking forward

Determining our approach to the GovNext-ICT program

We are continuing to work with the Office of Digital Government in the Department of the Premier and Cabinet to manage our approach to the GovNext-ICT program.

The program has been promoted to agencies as a coordinated and mandated opportunity to modernise ICT functionality and delivery, at less cost.

Our Office is a potential customer of the program as well as the auditor, which requires careful consideration. We have developed a GovNext-ICT Transition Plan, which focuses on a staged decision-making process with consideration for both financial and OAG independence requirements.

Our ultimate aim is to determine an approach that best fits our purpose and service delivery, that ensures ongoing system security and continuity, and delivers value to the state through optimised digital transformation.



Figure 9: Two of our finance employees at work

Financial management

Our focus is on providing Executive and staff with accurate business data on which key decisions can be based, and monitoring and reporting our performance on a monthly basis. In addition, budget forecasting and meeting long-term resourcing requirements remain key discussion aspects at each Executive strategic planning meeting.

Ensuring sound financial management of our business is crucial and more critical as the sector is striving to deliver efficiencies in all aspects of operations.

Introducing a new finance system

In 2017-18, we started the process to replace our existing finance system. Tender submissions closed in early 2018-19 and we are aiming to have a new system in place by mid 2019.

We are looking for a system that fully meets business needs, including advanced management reporting requirements. The new system must be able to adapt to our future needs and be flexible enough to incorporate other business functions such as human resources, payroll and contract management.

Self-assessment against our benchmarking audits

At an operational level we are committed to ensuring quality and compliance of all our practices and a way we assess this is through the across government benchmarking audits (AGBAs) undertaken by our financial auditors. AGBAs focus on common business practices and provide information about areas of better practice as well as potential problem areas. We apply the lines of inquiry to our own business and report the results to Executive.

This year we concluded internal assessments against the following AGBAs:

- **Agency Gift Registers** – tabled March 2018 (page 56)

The focus of this audit was to determine if agencies had suitable policies and practices in place for the management of gifts received.

The lines of inquiry, which we assessed our Office against, were:

1. Do agencies have appropriate policies for instructing and guiding staff in dealing with gifts?
2. Do agencies maintain a suitable register to record, describe and authorise the acceptance of gifts?
3. Do agencies train or make staff familiar with policy requirements and monitor compliance?

Only one minor recommendation was raised as a result of our internal assessment. This was to update our gifts policy to explicitly prohibit employees accepting cash gifts. While this has always been our standard practice, we felt it important enough to specifically include in the relevant policy.

- **Controls over Purchasing Cards** – tabled April 2017

The focus of this audit was to determine if agencies have effective controls over expenditure incurred using corporate purchasing cards. We also reviewed the expenses incurred by the chief executive officers of the agencies to assess whether there was adequate independent review of their purchasing card use.

The lines of inquiry, which we assessed our Office against, were:

1. Do agencies have appropriate policies and administrative systems in place for government purchasing cards?
2. Are suitable controls in place to monitor and manage the issue and use of cards and the timely approval of card transactions?
3. Do agencies periodically review their use of purchasing cards and act on any identified shortcomings?

Our assessment confirmed that our controls over purchasing cards are appropriate, effective and demonstrate better practice.

- **Tender Process and Contract Extensions** – tabled April 2017

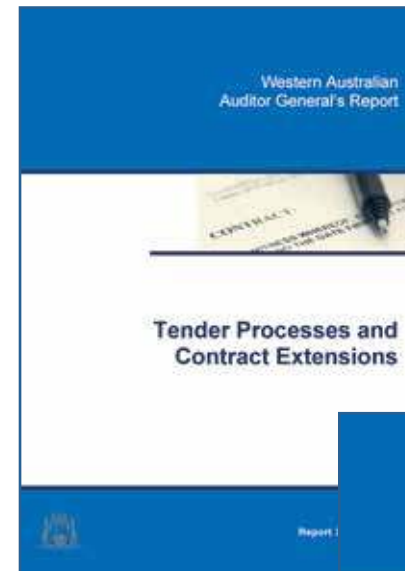
The focus of this audit was to assess whether agencies have appropriate processes for tendering and for extending existing contracts. We also assessed how well agencies manage conflicts of interest in their procurements.

The lines of inquiry, which we assessed our Office against, were:

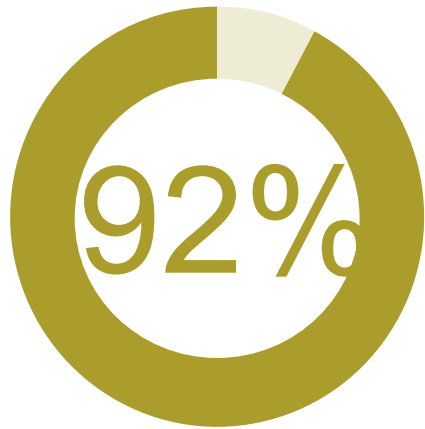
1. Are the policies for tendering and for contract extensions and renewals adequate?
2. Have the processes for tenders above \$250,000:
 - a. resulted in adequate testing of the market by giving all relevant suppliers appropriate opportunity and is the awarding of contracts appropriately reported?
 - b. provided adequate controls for managing conflicts of interest in procurement?
3. Are agencies adequately controlling:
 - a. contract extensions and renewals above \$50,000, including testing of the market before extending or renewing contracts?
 - b. contract variations, including approval of variations within delegated limits and where appropriate initiating a new tender process?

Our assessment confirmed that we have appropriate and effective processes in place, which demonstrate better practice.

Our full audited financial statements and key performance indicators are provided in this report from page 78.

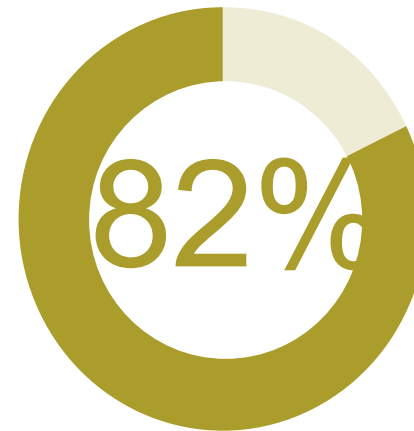
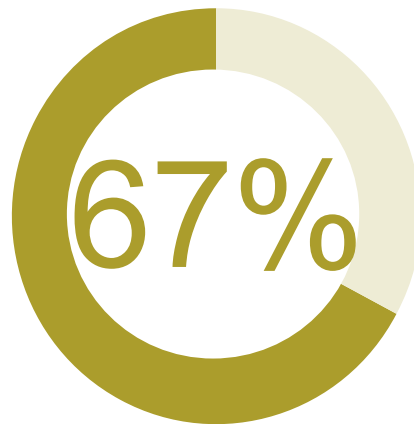


Our approach



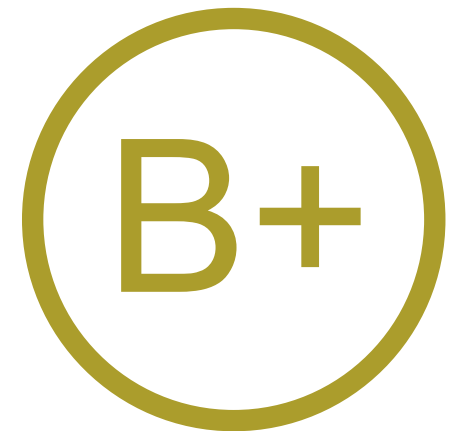
Overall rating from
members of Parliament,
our key client

Our overall rating from
performance audited
entities



Our overall rating from
financial audited entities

Rating from
internal audit



Consistent, fair and balanced, independent,
transparent, pragmatic, professional,
contemporary

23

opinions on ministerial notifications issued



Our approach

Financial auditing

Financial auditing provides independent assurance to Parliament that the financial statements of agencies and local governments are presented in accordance with Australian Accounting Standards, relevant regulations, Treasurer's Instructions (agencies only) 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
- show the financial position at the end of the financial reporting period.

Each year the Auditor General conducts:

- for the majority of State public sector entities, most of which operate under the *Financial Management Act 2006*:
 - an opinion on the financial statements of the agency
 - an opinion regarding the financial management-related controls in the agency
 - an opinion on the key performance indicators (KPIs) 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.

- for local governments, progressively from 2017-18 (page 134):
 - a financial audit of the annual financial report
 - any other matters required by the local government audit regulations.
- Under the *Local Government Act 1995*, local governments are required to accept their annual reports by 31 December and to publish them on their official website within 14 days after they have been accepted.

Agencies operating under other legislation receive an opinion on their financial statements.

You will find an overview of the financial auditing work undertaken this year on page 66. Appendix 2 is a complete list of agencies subject to financial audit.

Our Financial Audit team also conduct across government benchmarking audits (AGBAs) and focus area audits that focus on common business practices across the public sector and provide agencies and local governments with information about areas of better practice as well as potential deficiencies and pitfalls. A summary of these is included in this report from page 67.

Report summary

Audit Results Report – Annual 2016-17 Financial Audits



This report is the summary of the 2016-17 financial year audits for 158 agencies. We found many agencies are performing satisfactorily in relation to their financial reporting and controls but there is room for improvement.

We encourage all agencies to take note and act on the findings throughout our annual audit results reports.

The complete 2017-18 report summaries are available from page 67.

Figure 10: Report summary – Report 21, November 2017

Working with audit firms

We currently outsource about 35% of our financial audit work for state sector agencies and approximately 90% for our new local government audits to private sector firms. The Auditor General, or a delegate from the Office of the Auditor General (OAG), signs the audit opinion and is accountable for the work of our contract audit firm partners. We also outsource a small portion of our information systems audit work.

Auditors General outsourcing audits is common practice across jurisdictions and our contract management processes ensure that outsourced audits are efficient and cost effective and meet our audit quality standards.

We have been contracting out audits for many years and the benefits for the OAG and our clients, include:

- allowing us to better respond to the risks and needs of our clients
- partnering with accredited audit firms to develop innovative audit practices
- accessing specialist knowledge or skills we might not have or is costly to maintain
- learning from accredited audit firms to improve our audit processes, quality and reporting
- providing a mechanism for us to benchmark our cost effectiveness, audit processes, quality and reporting
- allowing us to complete and report on all audits in a timely manner.

In 2017-18, we partnered with: BDO Audit, Crowe Horwath, Deloitte, Ernst & Young, Grant Thornton, KPMG, PwC, RSM Bird Cameron, William Buck, Moore Stephens, Butler Settineri, AMD Chartered Accountants, Byfields, Lincolns, Macri Partners, and Anderson Munro & Wyllie.

Looking forward

Working with regional audit firms

We use private sector firms to perform state and local government audits. These firms are pre-approved and are invited to tender for work when contracts expire or are terminated.

Given our new local government audit mandate (page 12), we are keen to expand the number of regional firms that we can work with. Local firms understand the regional area and the important issues faced by particular local governments.

We are proactively working to identify quality, regionally-based firms that may be interested in performing audit work for the OAG.

Our ultimate goal is to support regional firms to meet our audit quality requirements and provide ongoing feedback and engagement. In this way we will also build capacity in the regions and contribute to the economic wellbeing of regional communities.

Surveys of financial audit entities

We aim for continuous improvement and one way of doing this is by acting on feedback from our stakeholders. All audited entities have the opportunity to participate in our annual survey. The survey gauges how we are performing in the areas of audit process, audit reporting, audit value and overall performance, and highlights any areas we can improve.

A total of 130 out of 150 financial audit entities responded to our survey this year, a response rate of 87% (up from 81% last year). Our results improved from last year in all 3 key focus areas, as reflected in the high overall index of 82.3%. The results were particularly positive in relation to:

- the value of the assurance that entities obtain from the audit of their statutory financial statements (99%)
- the value of our recommendations to improve organisations' financial management and internal controls (96%).

Our auditors' professionalism, skills and knowledge remained the most highly rated aspects of the audit process.

Other areas where we have improved our performance include our staff being responsive to stakeholder needs and audit opinions issued in timely manner.

We are pleased to see that areas identified for improvement last year increased this year – including, audit program undertaken in a timely manner and communicating audit findings and issues in management letters.

Focus area	Indicator	% Agree				
		2013-14	2014-15	2015-16	2016-17	2017-18
Audit process	The Office's audit program was undertaken in a timely manner	88	91	87	84	86
	Audit staff were responsive to our needs	92	95	87	88	89
Audit reporting	The Auditor General's audit opinion was issued in a timely manner	95	95	91	94	95
	The management letters clearly communicated the audit findings and issues	92	94	94	90	93
Audit value	We value the assurance we obtain from the audit of our statutory financial statements	99	95	96	97	99
	We value the Office's recommendations to improve the financial management and internal controls of our organisation	95	95	96	91	96

Table 11: Financial audit survey results of key questions in 3 areas of focus

Information systems auditing

Our information systems (IS) audits focus on the general computer controls of agencies with significant computer environments to determine whether these effectively support the accuracy and integrity of agency financial statements and key performance indicators (KPIs).

We also conduct audits each year of a sample of important non-financial computer applications and we also complete at least one broader scope IS audit on a specific topic, including passwords in 2018, malware in 2016 and database security in 2015.

Our IS audit work is a very important part of our audit program as it reveals the common information system weaknesses that can seriously affect the operations of government and potentially compromise sensitive information held by agencies. Our IS audit reports contain recommendations that address these common weaknesses and as such, have a use broader than just the agencies we specifically audited.

Looking forward

Continued focus on cyber risk

The same common weaknesses across all our information systems audits for well over 10 years, indicate agencies are not taking risks to information systems seriously enough.

Senior leaders need to understand that information security and capability are key business risks to be closely monitored and appropriately managed. The consequences otherwise, to state service delivery, trust in the sector and institutional reputations, are too great.

We intend to continue a watching brief on cyber risks to public sector entities.

Performance auditing

Our performance audits assess the efficiency and effectiveness of agency and local government activities, services and programs. These audits can also identify instances of waste, legislative non-compliance, examples of good practice and make practical recommendations for improvement.

We conduct performance audits under section 18 of the *Auditor General Act 2006* and in accordance with Australian Assurance Standards. Summaries of the Auditor General's reports tabled in 2017-18 are from page 67.

We deliver 2 types of performance audits:

- broad scope performance audits, which focus on the effectiveness and efficiency of larger programs, projects, services or functions
- 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 selective follow-up audits to assess actions taken in response to our recommendations, as well as changes and improvements that result. However, responsibility for following up the recommendations of the Auditor General's reports lies with the management and audit committee of each agency or local government. The Public Accounts Committee (PAC) also has a key role in following up agency action on Auditor General's reports (page 58).

Report summary

Rich and Rare: Conservation of Threatened Species Follow-up Audit



This audit follows up on our 2009 report, *Rich and Rare: Conservation of Threatened Species*. We assessed whether the Department of Parks and Wildlife, now the Department of Biodiversity, Conservation and Attractions (DBCA), had implemented changes to address the concerns identified in our 2009 report. We found that the number of threatened species had increased by 12% since our 2009 report, in part due to greater knowledge of biodiversity. A major positive change since 2009 has been the passing of the *Biodiversity Conservation Act 2016*. The new legislation provides more ways to tackle the growing task, but DBCA still has much work to do to address our 2009 findings about reporting, knowledge management and prioritising of its recovery effort.

The complete 2017-18 report summaries are available from page 67.

Figure 11: Report summary – Report 16, September 2017

Surveys of performance audit entities

Shortly after we table a performance report in Parliament, we invite the entities involved to complete a survey. Like our financial audit surveys, the surveys of entities subject to performance audit 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 90%, with 27 of the 30 individuals invited to participate providing a response – this is broadly consistent with 93% for last year. Overall, the 2017-18 results were largely positive with audited entities more likely to agree that:

- the auditors understood their organisations
- they were provided adequate opportunities to comment on the findings and issues before the final report was tabled
- they were informed of significant findings and issues as they arose during the audit.

We use the results of these surveys to identify where we may need additional effort or training to improve our approach. We were therefore particularly pleased to see the increased positive response this year to our auditors understanding the audited organisation and its operating environment. This was an area we focused on following concerns raised last year.

The results this year suggest that we need to consider:

- how we demonstrate to entities the professional skills and knowledge of our auditors
- that entities may not recognise either the value of our audits in helping them improve the performance of the audited activity or the value to Parliament of assurance and transparency of their functions
- if we are clearly communicating our audit findings and issues in the tabled audit report
- why some respondents have questioned the factual accuracy of a specific tabled audit report.

Focus area	Indicator	% Agree				
		2013-14	2014-15	2015-16	2016-17	2017-18
Audit process	The auditors communicated with us effectively	88	78	81	85	85
	We were promptly informed of significant issues/findings as they arose during the audit	79	80	73	73	78
	The auditors adequately understood our organisation, including our operating environment	70	45	58	44	63
	The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit	89	75	78	80	74
	The auditors conducted themselves professionally during the audit	92	88	93	93	96
	We were provided with adequate opportunities to comment on the audit findings and issues before the final report was tabled in Parliament	92	83	81	78	85
Audit reporting	The tabled audit report communicated the audit findings and issues clearly	88	83	85	83	70
	The tabled audit report was factually accurate	90	78	81	71	56
	The tabled audit report was balanced and fair	81	65	73	71	67
Audit value	The audit will help us improve the performance of the audited activity	60	76	74	75	63

Table 12: Performance audit survey results of key questions in 3 areas of focus

Aggregate performance index scores

For performance and financial audits, the survey analysis includes the calculation of aggregate performance indices across the 4 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 financial audit survey results were favourable overall in 2017-18, with results remaining consistent or better than those achieved in 2016-17. The performance audit survey saw decreases in all focus areas except for audit process. This highlights the need for us to maintain our focus on continuous improvement activities.

Financial audit						
Focus area		2013-14	2014-15	2015-16	2016-17	2017-18
Audit process		77.8	79.8	78.9	80.1	79.5
Audit reporting		81.7	82.1	81.8	81.3	83.9
Audit value	Financial statements	85.1	87.4	86.5	86.2	87.8
	Performance indicator	78.9	81.5	81.4	81.5	81.7
	Information systems	76.1	75.4	78.4	77.3	77.2
Overall performance		79.9	81.2	81.4	81.3	82.3

Table 13: Financial audit – aggregate performance indices

Performance audit					
Focus area	2013-14	2014-15	2015-16	2016-17	2017-18
Audit process	78.2	68.9	76.0	70.4	72.2
Audit reporting	78.0	73.3	74.8	71.8	66.7
Audit value	65.6	70.1	70.4	73.1	63.0
Overall performance	73.9	70.8	73.7	71.8	67.3

Table 14: Performance audit – aggregate performance indices

Performance audit 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 have to exercise this independence responsibly, so we have processes in place to make sure our selection of topics is objective, robust and transparent.

We draw topic ideas from a range of sources including members of Parliament, parliamentary committees, agencies, local governments, community and our employees.

We assess and review potential topics against our criteria, priority themes and 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.

A key part of establishing our forward audit program is firstly discussing potential topic ideas with key stakeholders that may have a view on the topic, the timing of the potential audit or any other considerations that may influence the effectiveness and efficiency of the audit program. This includes discussions with PAC and Estimates and Financial Operations Committee as well as the relevant directors general and chief executive officers.

Once established, we make our forward audit program topics list available on our website. When an audit has begun, we expand this to include the audit objective, focus and timeframes, at www.audit.wa.gov.au/auditing-in-wa/audit-program/.

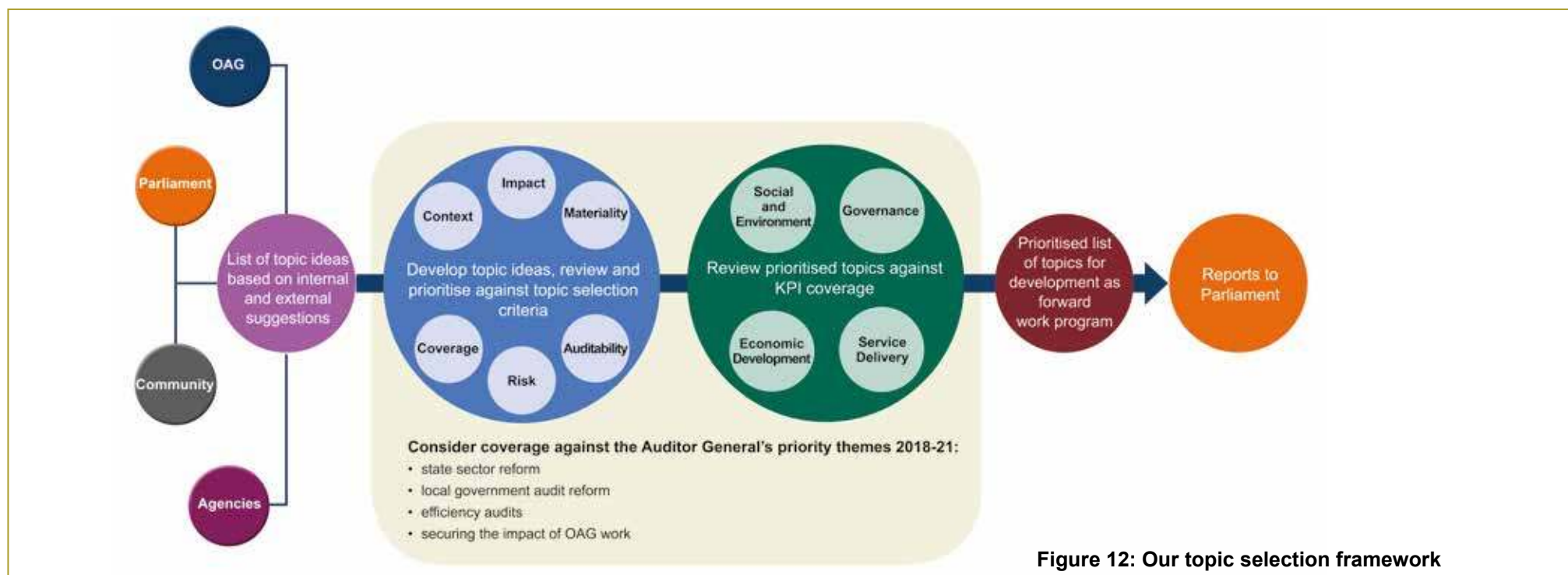


Figure 12: Our topic selection framework

Looking forward

Efficiency-focused performance audits

An increasing focus for us, continuing into 2018-19, is on efficiency audits. The WA public sector is operating on limited resources and we want to clearly identify opportunities for it to cut costs and operate as leanly but as effectively as possible.

Efficiencies can be direct savings measures. They can also be indirect through improved effectiveness, and better processes and outcomes; doing more with the same money and improved satisfaction with government services.

Our effectiveness audits will remain an important part of our audit program, however specific focus will be on demonstrating, and where possible, quantifying any potential savings across the sector.

An example of an efficiency audit we delivered in November 2017 was *Planning and Management of Bus Services* (page 71).

In this audit we assessed the efficiency and effectiveness of the planning and management of bus services within the Perth metropolitan area.

We found that fewer passengers were getting on buses, reducing fare revenue at the same time as the cost of operating an expanded network was rising. As a result, we found that bus services were 28% less efficient than they were 10 years ago, and the cost to government through the bus subsidy had reached well over \$400 million in 2016-17.

Our audit identified that millions of dollars of efficiencies could be made if the Public Transport Authority targeted over-servicing, duplication and under-utilisation. For example, we identified that removing 6 bus routes that ran parallel to train services (with no additional stops) would save 100,000 bus trips, 1 million service kilometres and \$4 million a year.

Opinions on ministerial notifications

When a Minister decides not to provide certain information to Parliament concerning the conduct or operation of an agency (usually a decision taken in response to a parliamentary question), then requirements under section 82 of the *Financial Management Act 2006* and section 24 of the *Auditor General Act 2006* (AG Act) come into force. Essentially, the Minister is required to notify the Auditor General and the Auditor General is then required to form an opinion and report to Parliament on the reasonableness and appropriateness of the Minister's decision.

Report summary

Opinion on Ministerial Notification



The Auditor General found the decisions by the Minister for Tourism not to provide Parliament with information on the State's financial contributions to the Drug Aware Margaret River Pro in the 2015, 2016 and 2017 calendar years was reasonable and appropriate. The Minister declined to provide the information as it was commercially sensitive.

The complete 2017-18 report summaries are available from page 67.

Figure 13: Report summary – Report 19, November 2017

A significant number of ministerial notifications are referred to the OAG each year, and this year we received 27.

	2013-14	2014-15	2015-16	2016-17	2017-18
Number of ministerial notifications received	7	14	10	50	27
Number of opinions issued	7	18	10	51 ⁽¹⁾	23
Reasonable	5	8	6	7	11
Not reasonable	2	7	3	44	9
An opinion could not be/ was not provided	0	3	1	0	3
Currently being assessed (at 30 June 2018)	0	0	0	0	8
Total cost for opinions issued	— ⁽²⁾	— ⁽²⁾	\$232,483	\$527,561	\$442,588
Total hours for opinions issued	— ⁽²⁾	— ⁽²⁾	1,013 hrs	2,174 hrs	1,960 hrs

⁽¹⁾ Includes 41 notifications and opinions relating to the same question directed at 41 agencies administered by 14 Ministers

⁽²⁾ We have not calculated the costs and hours of section 82 work prior to 2015-16.

Table 15: Ministerial notifications received in last 5 years

Summaries of the ministerial notifications we tabled in Parliament in 2017-18 are available from page 67.

Looking forward

Managing the impact of ministerial notifications on our audit program

We have received no additional funding to provide opinions on ministerial notifications since they began in 2007.

While we 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 in the inquiries. This can affect our resourcing and delivery of other audit work.

We are liaising with the Department of Treasury to explore options to better resource this work – to minimise the impact on our Office and importantly on the delivery of our performance audit work for Parliament.

Quality framework

Quality is a value of our Office and is fundamentally important to everything we do. We have a framework that establishes and maintains quality over the audit work we perform. At every opportunity we demonstrate and promote our belief that audit quality is more than meeting professional standards.

Our framework includes a Quality Assurance Plan, which our Audit and Risk Management Committee (ARMC) approves on an annual basis. We link this plan to our Strategic Plan and it plays a vital role in terms of internal control, risk management, corporate governance and compliance monitoring.

Our ongoing quality assurance activities include:

Activity	Purpose
Inspection of in-house engagement files	To ensure a quality audit is performed and continuous improvement opportunities and good practice are identified and shared.
Disclosure review of financial statements	To ensure the quality of public sector financial statements to meet the compliance requirements.
Review of audit methodologies	To ensure that audit methodologies continue to comply with the auditing and assurance standards.
System of Quality Control	To ensure that the system of quality control represents better practice and is compliant with auditing standards.
Preapproval of contract audit firms	To ensure the quality of contract audit firms who are able to tender for financial audit work for the OAG.
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 we know the results of public information including quality assurance reviews performed by regulatory bodies and membership organisations.
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	To evaluate and report on the implementation of the engagement quality control process.
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 the audits we perform. This may be from another audit office in Australia or New Zealand or from an independent reviewer.
Independent panel review of performance audit reports	To get an independent opinion as to the effectiveness of our performance audit reports.

Table 16: Examples of the OAG's quality assurance activities

Technical training is a critical overarching part of the Quality Assurance Plan. We regularly deliver training sessions on what quality is, its importance and the role and responsibilities for audit quality.

Reviews

We are often asked who audits the Auditor General... and the answer is, many people do! We are subject to various oversight and review processes, which we value as they hold us accountable to those we serve and provide us and our stakeholders with assurance that our processes are effective, efficient and evolving as necessary.

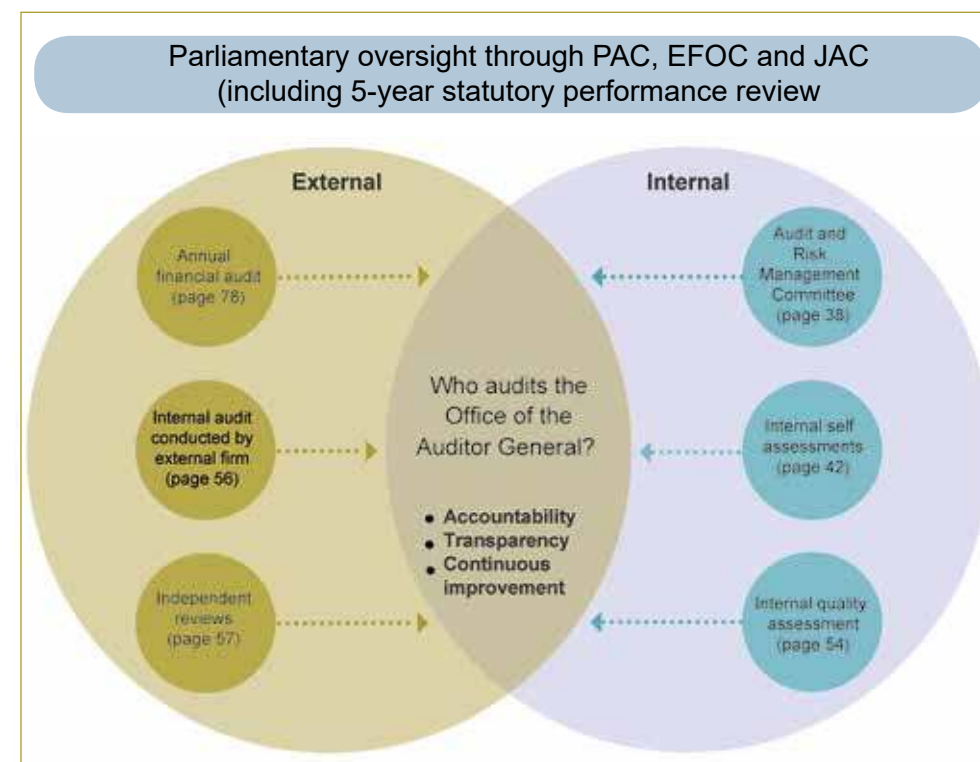


Figure 14: Reviews of the OAG in 2017-18

Internal audit

Our internal auditors provided their 2017-18 report on 28 June 2018. This year, 6 key areas were audited, which were developed in consultation with our ARMC, the ICT Committee and Executive.

The report concluded:

‘Overall, in our opinion the practices reviewed are sound and the OAG has once again demonstrated a high level of focus in managing the control environment.’

In our opinion, based on the functions/areas subject to review, the Office’s control environment is of a good standard for the scope areas examined. There are some opportunities for improvement, albeit minor. Reflecting the number, nature and potential value of observations we assess a ‘B+’ rating.’

We have already implemented 4 of the 17 recommendations that provide opportunities for improvement and we expect to have the remainder in place by the end of September 2018.

Self-assessment against our audit reports

As detailed on page 42, many of the audits we conduct of other agencies also have relevance to our Office, especially our AGBAs. For this reason, we self-assess our own internal processes and controls against the audit criteria used for these audits.

In 2017-18, our Business Services unit self-assessed our performance against the criteria used in the audits of:

- Agency Gift Registers
- Controls over Purchasing Cards
- Tender Process and Contract Extensions.

Report summary

Agency Gift Registers



This audit assessed 8 agencies to determine if they had suitable policies and practices in place for the management of gifts received. We found an overall improvement since our similar audit in 2015 with most agencies regularly reviewing the gift register to identify any potential conflicts. However, agencies need to improve policies and the recording of gifts, as well as

ensuring that accepted gifts are independently approved in a timely manner.

The complete 2017-18 report summaries are available from page 67.

Figure 15: Report summary – Report 2, March 2018

Independent reviews

In July 2017, a senior auditor from the Australian National Audit Office conducted a review of the OAG under the Australasian Council of Auditors-General (ACAG) external review framework. The review considered the first 2 sections of the framework – office governance and audit practice management. These reviews are important to the OAG, as they allow us to take stock of where we are at, provide us with continuous improvement opportunities and challenge our thinking. The review resulted in 9 recommendations, all of which we accepted and implemented.

This year we also organised an independent review of the structure of our Business Services unit to identify efficiencies and enhance operations to optimise the delivery of corporate services to the Office, within our established resources. This is particularly important if we are to meet the additional demands of local government audit.

External review

In August 2016, the Joint Standing Committee on Audit issued its review of the operation and effectiveness of the OAG and the AG Act. The Auditor General met with the new committee in November to discuss progress with the recommendations.

We were pleased to report that we had addressed all the recommendations under our control. The only key concern raised was around the recommended changes to the AG Act to address restricted access to cabinet documents and documents under legal professional privilege. A review of the AG Act and other relevant legislation is currently underway (page 16).

Working with Parliament

Unlike public sector agencies, we do not report to a government minister but report 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 ensures that we provide Parliament with relevant and timely information, in keeping with our obligations under the AG Act. This benefits Parliament and us, 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 audits
- providing information to support inquiries by parliamentary committees.

We use the results of our members of Parliament survey (page 59), together with direct feedback throughout the year, to identify any potential initiatives or improvements that could further enhance our parliamentary liaison program.

CASE STUDY Adapting to the needs of Parliament

During 2017-18, we received feedback from a member of Parliament that the usual time we held the member briefings on our tabled reports was not convenient for some members.

We generally hold a member briefing at Parliament shortly after an Auditor General's report is tabled. We invite all members to attend this briefing and over the last few years we have traditionally held it at around 1pm on Wednesdays as this seemed to suit the majority of attendees. However, based on this feedback we recently trialled new timings for our member briefings, holding 2 sessions on relevant Wednesdays, at 12.30pm and 1pm.

This trial has so far been successful, with more members and their representatives attending our briefings, with a fairly even split at the 2 sessions.

This year we also introduced short, concise video summaries of our audit reports. These are available on our website and provide members, who are often time-poor, and anyone else interested with easy access to our reports. These videos are rising in popularity as our audience is gradually discovering them as a standard feature of each report tabling.

Figure 16: Evolving parliamentary liaison program

Parliamentary inquiries

In June 2018, PAC commenced its latest hearings in review of agency responses to Auditor General's reports. PAC plays an important role in examining whether government policies and programs meet the objectives for which public money is allocated. One way PAC performs this role is by following up agency responses to recommendations contained in our performance audit reports.

The work PAC does in following up our reports and keeping agencies accountable for their response to our recommendations is hugely valued by our Office. This process is currently selective, and is effective this way as one agency being called to notice through a PAC follow up causes all agencies to pay attention. Selective reporting on agency follow ups is an important reminder to the sector that they are accountable and subject to Parliament scrutiny.

PAC is currently examining agency responses to more than 20 performance audit reports from 2015 and 2016. We continue to assist PAC, where appropriate, in this important process.

We have also been involved in, or provided information to assist a number of other parliamentary inquiries during 2017-18. This included the:

- Joint Standing Committee on the Corruption and Crime Commission on its inquiry into public sector procurement of goods and services and its vulnerability to corrupt practice
- Community Development and Justice Standing Committee on its inquiry into the protection of crowded places from terrorist acts.

We also provided information to assist Government's Service Priority Review and the Special Inquiry into Government Programs and Projects.

Parliamentary requests for investigation

We occasionally receive requests for audit from parliamentary committees, which we consider thoroughly. Our August 2017 report on *Non-Clinical Services at Fiona Stanley Hospital* was based on a request from the Education and Health Standing Committee.

Report summary

Non-Clinical Services at Fiona Stanley Hospital



This audit assessed whether delivery of non-clinical services was at the cost expected and if South Metropolitan Health Service effectively monitored and enforced the contract. We found overall the non-clinical services delivered at Fiona Stanley Hospital were acceptable but identified a number of improvements to contract

management including monitoring total costs, dispute resolution, and improving and using the information gathered for reporting.

The complete 2017-18 report summaries are available from page 67.

Figure 17: Report summary – Report 14, August 2017

Members of Parliament survey

Our regular survey of members of Parliament assists us to monitor 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 17 shows our results against 4 key areas. Although results declined or stayed the same in most areas, we continue to perform well and score highly in dealing with matters of significance to Parliament (93%); satisfaction with our reports and services (92%) and this year we saw a significant increase (+8%) in members saying that our services and reports were useful to Parliament (94%).

While the majority of members said the OAG was effective in achieving its desired outcome of informing Parliament on public sector accountability (77%), this was a decline on previous years and is something we will closely monitor and where possible, address.

Indicator	% Agree or strongly agree				
	2013-14	2014-15	2015-16	2016-17*	2017-18
The Office is effective in achieving its desired outcome	78	90	84	n/a	77
Reports dealt with matters of significance to Parliament	96	97	94	n/a	93
Services and reports are useful to Parliament	89	87	86	n/a	94
Overall satisfaction with Auditor General reports and services	90	97	92	n/a	92

* We did not conduct a survey in 2016-17 due to the timing of the state election and the large number of new members.

Table 17: Member of Parliament survey results against 4 key areas

Consistent with previous years, members were positive about the Auditor General's reports and services, with members commenting that they:

- were relevant, open and easy to digest
- were accessible and summarise areas of concern concisely
- generated debate and discussion on quality improvement or greater transparency.

Just over half of the respondents said that a report tabled in the last 12 months was helpful to them. Members most commonly cited reports' usefulness, relevance and their own personal or professional interest in these reports as the main reasons for finding them helpful.

We use an independent research company to conduct the survey. The results are important in understanding how we are performing and how well we are meeting the needs and expectations of our clients. They also inform our ongoing quality assurance and continuous improvement efforts and are used to measure the effectiveness of a number of our Strategic Plan initiatives.

We have a number of other avenues which allow members to engage with us and provide comments outside the survey process, including the briefing opportunities in our parliamentary liaison program (page 57).

Working with our peers

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 and assurance standards and related issues such as exposure drafts issued by the Australian Accounting Standards Board, Australian Auditing and Assurance Standards Board and their international equivalents.

We also participate in ACAG's subgroups, which provide mutual benefits and learning opportunities between audit offices.

Integrity Coordinating Group

The OAG is a member of the Integrity Coordinating Group (ICG) an informal forum of 5 independent integrity agencies. The purpose of the group has been to use their combined voice to promote and strengthen integrity in Western Australian public bodies.

Outputs of the ICG have included guidance papers and seminars that promote the concept of integrity in government.

Members currently include the independent officers of the Auditor General, the Western Australian Ombudsman, the Public Sector Commissioner, the Corruption and Crime Commissioner and the Information Commissioner.

The new Auditor General with other integrity officers of the ICG will consider the purpose of the group to determine its future direction.

State Records Commission

Under section 58 (b) of the *State Records Act 2000*, the Auditor General is an ex-officio member of the State Records Commission.

Public sector entities use public funds to provide services, deliver programs and manage assets. Good records support good decision-making, effective business practice and improve accountability and efficiency.

A common theme across many of our audits is poor recordkeeping practices. Through our audit work with agencies we continue to support the proper safeguarding, retention and integrity of official records and highlight and encourage continuous improvement in this important aspect of public administration.

CASE STUDY Sharing our knowledge with international delegations

We value opportunities to exchange information and learn from other jurisdictions. In March this year, we were pleased to meet with a Landgate fellowship group about the role of the Auditor General. Eight land administration professionals from Argentina and Paraguay met with our Assistant Auditor General, Technical and Audit Quality, who shared with them the role we play in auditing the Western Australian state and local government.

In October 2017, we also hosted a study tour from the Audit Board for the Republic of Indonesia.



Figure 18: Argentina and Paraguay land administration professionals with Michelle Shafizadeh (right), Assistant Auditor General, Technical and Audit Quality

Working with our stakeholders

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

Our website includes information on how to contact us and provides an opportunity to submit feedback on current audits or suggest a future audit topic. Information received through these avenues may be examined under the AG Act, and can be considered as part of our topic selection process (page 52).

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 state and local government.

When considering the issues referred to us, our focus is on systemic weaknesses rather than a one-off issue affecting an individual. We assess relevant issues against our internal protocols and in an ethical and objective manner to determine if further investigation is warranted. This can potentially lead to an audit. If the issue is 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, while maintaining confidentiality.

In 2017-18, we experienced a 62.5% increase in the number of referrals and enquiries lodged with us. This increase was largely due to our new role in auditing local governments.

Referrals and/or enquiries received	2013-14	2014-15	2015-16	2016-17	2017-18
Members of the public	45	76	116	79	101
Member of Parliament or parliamentary committees	16	20	17	9	11
WA state government agencies	15	37	30	16	11
WA local governments*	n/a	n/a	n/a	n/a	46
Total	76	133	163	104	169

* Referrals and enquiries from local governments were counted in the figures for 'members of the public' prior to 2017-18

Table 18: 2017-18 referrals and enquiries

In 2017-18, the average number of days we took to respond was 2.2 working days, similar to last year. We responded to 96% of all referrals and enquiries within our working day target, which was similar to last year's outcome. The majority of issues were specific to our new role in local government audit that required additional research into the provisions of relevant legislation.

Public interest disclosures

The OAG is an accountability agency to which people can make public interest disclosures (PID) under the *Public Interest Disclosure Act 2003*.

The 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 2017-18, we spent 75 hours on PID matters. We assessed 4 matters, all of which met the PID criteria.

The Auditor General appoints key employees, including members of Executive, as PID officers. Appropriate training is provided for these employees so they can receive and manage PIDs effectively.

Complaints

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

We received 1 complaint in 2017-18. The complaint was the result of a miscommunication about a client's specific requirements, which we addressed promptly to the satisfaction of the complainant and the OAG.

As shown in Table 19, we receive very few complaints, however, we have a comprehensive process in place to ensure any complaints are addressed promptly and the complainant is satisfied that we will take appropriate action to rectify the matter. In this regard, we adhere to the Ombudsman's guiding principles for effective complaint management namely:

- **Enabling complaints** – arrangements for enabling people to make complaints are customer focused, visible, accessible and supported by management. Complaints can be made via our website, or by email, mail or phoning the OAG.
- **Responding to complaints** – our procedures for responding to complaints ensure they are handled objectively, fairly and confidentially. Timeframes are included for each step of the process.
- **Accountability and learning** – the reporting mechanisms for managing complaints help us work towards continuous improvement.

	2013-14	2014-15	2015-16	2016-17	2017-18
Number of complaints	3	0	0	1	1

Table 19: Number of complaints about the OAG received 2013-14 to 2017-18

Our Executive receive a report on all complaints received and identified risks are reported to the ARMC.

Our products

183

audit opinions delivered



59%

of audit opinions were
delivered earlier than
last year



27

reports tabled in
Parliament



Value for money, timely, relevant, accurate,
quality, innovative

Over **36,000** website hits
on the top 10 reports accessed this year



Financial auditing

This year we delivered 183 audit opinions. This was for state agencies only, as our first annual financial audits of local government entities for the year ended 30 June 2018 are in progress and the audit opinions will be issued in 2018-19.

We aim to deliver audit opinions under the *Financial Management Act 2006* (FM Act) in time for annual reports to be tabled by an agency within 90 days of the end of the financial year as required by the FM Act. In the past we have consistently achieved between 99% and 100% for this measure (Table 20). However, this year we achieved 97.9%, primarily due to agencies not being audit ready.

Parliament must be in session for an agency to table its annual report under the FM Act. This year, the last sitting day in which agencies could table their reports within the 90-day limit was September 14, almost 2 weeks earlier than previous years'. This meant a number of agencies could not meet their target. This is something we have raised with the Department of Treasury in its review of the FM Act (page 16).

	2013-14	2014-15	2015-16	2016-17	2017-18
%	99.3	99.3	99.3	100	97.9

Table 20: Percentage of audit opinions issued within 90 days of financial year end

It took us an average of 64.8 days to issue our financial audit opinions and we delivered 59% of our audit opinions earlier than last year.

Audit opinions issued	2013-14	2014-15	2015-16	2016-17	2017-18
Annual Report on State Finances	1	1	1	1	1
Parliamentary departments	3	3	3	3	3
Government departments	40	42	44	45	46
Statutory authorities	86	83	85	83	84
Universities and state training providers	15	15	26*	9*	9
Superannuation funds	3	3	2	2	2
Corporatised entities	15	19	13	13	13
Cemetery boards	13	5	8	7	4
Subsidiary entities	12	11	19	20	17
Request audits	4	7	4	4	4
Total	192	189	205	187	183

*numbers fluctuated due to restructuring of the state training sector

Table 21: Audit opinions delivered from 2013-14 to 2017-18

Our reports tabled in 2017-18




During 2017-18, we tabled 27 reports in Parliament across our 4 audit topic categories. We aim to deliver timely, relevant and quality reports on public sector performance and accountability. These reports assist in achieving our vision and outcome of an informed Parliament and work that makes a difference and helps to improve the public sector.

On the following pages is a brief summary of the reports tabled this year which are available on our website at www.audit.wa.gov.au/reports. We have provided agency details reflective of post 2017 machinery of government changes.




Website statistics provide an indication of the degree of interest in our reports, and we use these to inform our topic selection process. Four of the top 10 accessed reports in 2017-18 were from previous years. The annual Information Systems Audit Report is consistently one of the most accessed reports. Despite being tabled in May 2018, the *Controls Over Corporate Credit Cards* focus area report, which was our first report tabled under our new local government audit mandate (page 12), featured in the top 10 hits (Table 22).

Report	Total website interactions	PDF downloads
<i>Opinions on Ministerial Notifications</i> (13 November 2013)	7,987	6
<i>Information Systems – Application Controls Audits</i> (27 June 2013)	4,084	100
<i>Information Systems Audit Report 2017</i> (29 June 2017)	4,870	563
<i>Management of Pastoral Lands Western Australia</i> (11 October 2017)	3,807	250
<i>Audit Results Report – Annual 2016-17 Financial Audits</i> (7 November 2017)	3,168	233
<i>Local Content in Government Procurement</i> (5 December 2017)	2,738	244
<i>Planning and Management of Bus Services</i> (29 November 2017)	2,548	192
<i>Controls Over Corporate Credit Cards – local government</i> (9 May 2018)	2,470	243
<i>Non-Clinical Services at Fiona Stanley Hospital</i> (16 August 2017)	2,365	182
<i>Administration of the Patient Assisted Travel Scheme</i> (26 June 2013)	1,989	2

Table 22: Top 10 reports accessed by external visitors to the OAG website in 2017-18




Title	Summary
<p>Audit of Journal Entries and Property, Plant and Equipment Using Data Analytic Procedures</p> <p>Narrow scope performance audit</p> <p>KPI category – Governance</p> <p>Tabled – 19 July 2017</p>	 <p>This audit analysed large volumes of accounting general journal entries as well as property, plant and equipment transactions at 6 agencies to identify potential fraud, error or omissions. We found no evidence of fraud and only a small number of errors. However, we did identify a need for improved controls at 4 agencies, to further reduce the risk of fraud or error. We recommend agencies consider recording information in a format that enables management to monitor compliance with policies and delegations.</p> <p>Agencies: Busselton Water Board; Department of Justice; Mental Health Commission; Racing and Wagering Western Australia; Department of Planning, Lands and Heritage</p>
<p>Non-Clinical Services at Fiona Stanley Hospital</p> <p>Broad scope performance audit</p> <p>KPI category – Service delivery</p> <p>Tabled – 16 August 2017</p>	 <p>Report summary on page 59</p> <p>Agency: South Metropolitan Health Services</p> <p>Third party provider: Serco</p>
<p>Opinion on Ministerial Notifications</p> <p>KPI category – n/a*</p> <p>Tabled – 6 September 2017</p>	 <p>The Auditor General found the decision by the Minister for Fisheries not to provide Parliament with the legal advice about the state's likely exposure to compensation claims if a subsidised shark deterrent device proved ineffective in a shark attack event, was reasonable and appropriate. The Minister had sought advice from the relevant Department, which recommended he decline as it was legal advice protected by legal professional privilege.</p> <p>Minister: Kelly</p> <p>Agency: Department of Primary Industries and Regional Development</p>

*Note: Did not meet our definition of a report for KPI purposes.

Title		Summary
<p>Rich and Rare: Conservation of Threatened Species Follow-up Audit</p> <p>Broad scope performance audit</p> <p>KPI category – Social and environment</p> <p>Tabled – 6 September 2017</p>		<p>Report summary on page 49</p> <p>Agency: Department of Biodiversity Conservation and Attractions</p>
<p>Management of Pastoral Lands in Western Australia</p> <p>Broad scope performance audit</p> <p>KPI category – Social and environment</p> <p>Tabled – 11 October 2017</p>		<p>This audit assessed whether there is a coordinated and effective approach to protect the ecological sustainability of pastoral lands. We found that pastoral land has been under threat for over 75 years and during this time there has been limited support to ensure the long-term productivity of the land and to halt the decline in condition. The report makes a number of recommendations to assist agencies in their roles as they work together to protect pastoral lands.</p> <p>Agencies: Pastoral Lands Board; Department of Planning; Lands and Heritage Department of Primary Industries and Regional Development</p>
<p>Diverting Young People Away From Court</p> <p>Broad scope performance audit</p> <p>KPI category – Service delivery</p> <p>Tabled – 1 November 2017</p>		<p>This audit assessed whether agencies effectively divert young people in contact with police away from court by providing the right services, in the right places, at the right times. We found that the diversion rates for the last 5 years are under 50% and of those diverted only a small proportion have access to services that could help them with the issues that led to their offending.</p> <p>Agencies: Western Australia Police Force; Department of Justice; Department of Communities</p>

Title		Summary
Opinion on Ministerial Notification KPI category – n/a* Tabled – 1 November 2017		Report summary on page 53 Minister: Papalia Agency: Department of Jobs, Tourism, Science and Innovation
Financial Controls – Focus Area Audits 2016-17 Focus area audit x 3 KPI category – Governance Tabled – 1 November 2017		This report contains the audit results for 4 areas of common business practice and related controls. These audits were performed as an extension of our 2016-17 annual financial audits at 57 agencies, covering: agency contract registers, management and oversight of internal audit, financial delegations and recording, custody and disposal of portable and attractive assets. The findings provide an insight to good practice, so all agencies including those not audited, can consider their own performance. Agencies: Department of Biodiversity, Conservations and Attractions; Department of Communities; Department of Education; Department of Jobs, Tourism, Science and Innovation; Department of Justice; Department of Local Government, Sport and Cultural Industries; Department of Mines, Industry Regulation and Safety; Department of Primary Industries and Regional Development; Department of Planning, Lands and Heritage; Department of Water and Environmental Regulations; Western Australian Police Force
Audit Results Report – Annual 2016-17 Financial Audits Financial audit KPI category – Governance Tabled – 7 November 2017		Report summary on page 46 Agenices: All state government agencies
Minimising Drugs and Alcohol in Prisons Narrow scope performance audit KPI category – Service delivery Tabled – 8 November 2017		This audit assessed whether there are effective strategies in place to minimise drugs and alcohol in WA prisons. We found that the Department of Justice does not have a clear understanding of the extent of drug and alcohol use in prisons and considerable improvement is needed to minimise their presence. Agencies: Department of Justice; Western Australia Police Force

*Note: Did not meet our definition of a report for KPI purposes.

Title	Summary
<p>Planning and Management of Bus Services</p> <p>Broad scope performance audit</p> <p>KPI category – Service delivery</p> <p>Tabled – 29 November 2017</p>	 <p>This audit assessed whether the planning and management of bus services within the Perth metropolitan area is efficient and effective. We found that bus services are less efficient and the government subsidy is increasing, although passengers are satisfied and feel safe.</p> <p>Agencies: Public Transport Authority; Department of Transport</p>
<p>WA State Tourism Strategy 2020</p> <p>Broad scope performance audit</p> <p>KPI category – Economic development</p> <p>Tabled – 29 November 2017</p>	 <p>This audit assessed the effectiveness of the development and implementation of the State Government Strategy for Tourism in Western Australia 2020. Tourism WA has delivered a range of initiatives but performance across the Tourism 2020 strategy has not been consistent enough. Delays in attracting more international and interstate tourists mean they are unlikely to reach the goal of doubling the value of tourism in WA to \$12 billion by 2020. If Tourism WA delivers priority initiatives that have been delayed there is still time to meet the goal.</p> <p>Agency: Department of Jobs, Tourism, Science and Innovation</p>
<p>Local Content in Government Procurement</p> <p>Broad scope performance audit</p> <p>KPI category – Economic development</p> <p>Tabled – 5 December 2017</p>	 <p>This audit assessed the effectiveness of the Buy Local Policy in delivering local content and employment. Assessing the effectiveness of the policy is difficult due to the lack of clear responsibility for oversight, monitoring and compliance reporting. To assist agencies and contractors we have recommended that the Buy Local Policy and guidelines be reviewed to improve clarity and effectiveness.</p> <p>Agency: Department of Finance; Department of Mines, Industry Regulation and Safety</p>

Title

Summary

Opinions on Ministerial Notifications

KPI category – Governance
Tabled – 14 December 2017



The Auditor General found the Minister for Racing and Gaming's decision not to provide Parliament with information on WA TAB's annual wagering turnover was not reasonable and therefore not appropriate as most of the information was already publicly available. However, his decision to withhold information about WA TAB's annual digital platform turnover figures was reasonable and appropriate as the information was commercially sensitive. The Minister properly sought advice from the Department of Local Government, Sport and Cultural Industries before responding to the request.

Minister: Papalia

Agency: Department of Local Government, Sport and Cultural Industries

Opinions on Ministerial Notifications

KPI category – Governance
Tabled – 21 December 2017



The Auditor General found the Minister for Racing and Gaming's decision not to provide Parliament with information about the proposed merger of Tabcorp and Tatts was reasonable and appropriate as it was commercially sensitive and highly confidential. The Minister properly sought advice from the Department of Local Government, Sport and Cultural Industries before responding to the request.

Minister: Papalia

Agency: Department of Local Government, Sport and Cultural Industries

Opinions on Ministerial Notifications

KPI category – n/a*
Tabled – 22 February 2018



The Auditor General found decisions by the Minister for Education and Training not to provide information to Parliament about briefing material prepared ahead of the Minister's visits to schools in the South Metropolitan Region were not reasonable and therefore not appropriate. This was because a significant amount of the information was already publicly available. The Minister did not seek advice from the Department of Education before responding to the requests.

Minister: Ellery

Agency: Department of Education

*Note: Did not meet our definition of a report for KPI purposes.

Title

Summary

Agency Gift Registers

Across government
benchmarking audit
KPI category – Governance
Tabled – 15 March 2018



Report summary on page 56

Agencies: Central Regional TAFE; Department of Finance; Department of Transport; Metropolitan Redevelopment Authority; Racing and Wagering Western Australia; Synergy; South Metropolitan TAFE; South Regional TAFE

Opinion on Ministerial Notification

KPI category – n/a*
Tabled – 21 March 2018



The Auditor General found that the decision by the Minister for Finance not to provide Parliament with information about whether the state had received a claim from John Holland Pty Ltd in relation to the Perth Children's Hospital (PCH) was not reasonable and therefore not appropriate because this information was already publicly known. However, the Minister's decision not to provide Parliament with further information about the claim, and a breakdown of outstanding issues at PCH that require rectification, was reasonable and appropriate.

Minister: Wyatt

Agency: Department of Finance

Opinions on Ministerial Notifications

KPI category – Governance
Tabled – 11 April 2018



The Auditor General found the Treasurer's decision not to provide information to Parliament about which MPs are members of the Parliamentary Pension Scheme was reasonable as the information was private. Similarly, the Minister for Tourism's decision not to provide information about the amount of funding provided for the Margaret River Gourmet Escape in 2017 was found to be reasonable as it has commercial value. However, the Minister for Corrective Services' decision not to provide information on the cost savings from converting the Wandoo Reintegration Facility into a women's drug and alcohol rehabilitation facility was not reasonable as much of the contract information was publicly available.

Ministers: Wyatt, Papalia, and Logan

Agencies: Government Employees Superannuation Board; Department of Jobs, Tourism, Science and Innovation; Department of Justice

*Note: Did not meet our definition of a report for KPI purposes.

Title

Summary

Confiscation of the Proceeds of Crime

Narrow scope performance audit

KPI category – Social and environment

Tabled – 3 May 2018



This audit assessed if agencies are effectively and efficiently identifying, confiscating and distributing proceeds of crime. We found agencies follow adequate processes to identify and confiscate proceeds of crime under the *Criminal Property Confiscation Act 2000* but could improve their approaches to asset maintenance and monitoring the confiscation activities. Work is needed to fully understand agencies costs, and ensure that agencies spend the proceeds from the sale of confiscated assets effectively.

Agencies: Department of Justice; Office of the Director of Public Prosecutions; Public Trustee; Western Australia Police Force

Audit Results Report – Annual 2017 Financial Audits and Management of Contract Extensions and Variations

Financial audit

KPI category – Governance

Tabled – 8 May 2018



This report summarises the results of the annual audits of the 4 public universities and their subsidiaries and the 5 TAFEs for 2017, as well as a small number of various other audits. It also includes the results of a focus area audit that assessed whether 7 tertiary education entities adequately managed extensions and variations to their contracts and whether they maintained good records of contracts.

Agencies: University of Western Australia; Edith Cowan University; Murdoch University; Curtin University; North Metropolitan TAFE; South Metropolitan TAFE; North Regional TAFE; Central Regional TAFE; South Regional TAFE

Controls Over Corporate Credit Cards

Focus area audit




KPI category – Governance

Tabled – 8 May 2018



This audit assessed 8 local governments to determine if they had effective controls over the use of corporate credit cards. While some areas could be done better, the local governments mostly had satisfactory controls in place. The potential for improper or unauthorised use of credit cards means those charged with governance, and management need to ensure appropriate controls are in place and that they are continually vigilant against misuse.

Local governments: City of Kalamunda; City of Rockingham; City of Wanneroo; Shire of Carnarvon; Shire of Cranbrook; Shire of Dandaragan; Shire of Denmark; Town of Port Hedland

Title	Summary
<p>Management of Salinity</p> <p>Broad scope performance audit</p> <p>KPI category – Social and environment</p> <p>Tabled – 16 May 2018</p>	 <p>This audit assessed the management of salinity in the agricultural regions of the South West of WA. The report found that without some level of intervention, the area of land affected by salinity could more than double over the next 50 to 100 years. And yet, since 2008, there has been a lack of strategic direction and agencies have reduced monitoring the extent and impact of salinity. In the absence of strategic direction, agencies have focused on protecting individual assets, and there has been little coordination of efforts between agencies, landholders and stakeholders.</p> <p>Agencies: Department of Primary Industries and Regional Development; Department of Water and Environmental Regulation; Department of Biodiversity Conservation and Attractions</p>
<p>Management of the State Art Collection</p> <p>Narrow scope performance audit</p> <p>KPI category – Social and environment</p> <p>Tabled – 17 May 2018</p>	 <p>This audit assessed how the Art Gallery of Western Australia (AGWA) maintains the State Art Collection and enables access for the WA public. We found the \$300 million Collection is at risk of damage and/or loss due to a lack of storage, timely conservation treatments and monitoring. Also, with only 2% of the Collection on display, AGWA needs to do more to enable public access to the Collection, particularly in regional areas.</p> <p>Agency: Art Gallery of Western Australia</p>
<p>Opinions on Ministerial Notification</p> <p>KPI category – Governance</p> <p>Tabled – 24 May 2018</p>	 <p>The Auditor General's latest <i>Opinions on Ministerial Notifications</i> report deals with 7 decisions by 5 Ministers not to provide information to Parliament. The AG found 4 of the decisions by 3 Ministers were reasonable as the information was commercially sensitive or subject to legal professional privilege or Cabinet-in-confidence while 3 of the decisions by 2 Ministers were not reasonable as the information was already publicly known or was not confidential.</p> <p>Ministers: Cook, Wyatt, Kelly, Papalia and Quigley</p> <p>Agencies: Department of Health; Department of Justice; Department of Treasury; Department of Water and Environmental Regulation, Department of Jobs, Tourism, Science and Innovation</p>

Title

Summary

WA Schools Public Private Partnership Project

Broad scope performance audit

KPI category – Economic development

Tabled – 13 June 2108



This audit assessed whether the WA Schools Public Private Partnership Project was on track to deliver its intended benefits. The Auditor General found that while there were some areas for improvement, the Departments of Finance and Education (DoE) had made a reasonable start with the project currently on time and close to budget. However, DoE did not have a contract management plan and audit or inspection program to adequately manage the contract and check service performance. The Auditor General recommended that the DoE has these contract management tools in place to get the best out of the PPP over the next 30 years.

Agencies: Department of Education; Department of Finance

Timely Payment of Suppliers

Focus area audit

KPI category – Governance

Tabled – 13 June 2108



This audit assessed 10 local governments to determine if they were making timely payments to suppliers in accordance with better practice. The Auditor General found most payments were made in a timely matter. However, 7 local governments did not have formal timely payment policies and practices that addressed the need to pay on time, which led to inconsistencies in payment timeframes. All local governments should have policies or procedures that clearly require payments of invoices within specified timeframes.

Local governments: City of Armadale; City of Cockburn; City of Swan; Shire of Tammin; Shire of Cunderdin; Shire of Bruce Rock; Shire of Kojonup; Shire of Merredin; Shire of Kellerberrin; Shire of York

Management of Crown Land Site Contamination

Narrow scope performance audit

KPI category – Social and environment

Tabled – 27 June 2108



This audit assessed whether the state's unallocated Crown land and unmanaged reserves were being effectively managed to minimise human and environmental health risks from contamination on these sites. The Auditor General found that inadequate oversight, unreliable data and poor communication between the responsible agencies meant that contamination risks were not identified and reported in a timely manner.

Agencies: Department of Planning, Lands and Heritage; Department of Water and Environmental Regulation

Making a difference – report successes

Our outcome is work that makes a difference and helps to improve the public sector. Positive change to government activity and practice is a reflection of the impact our work is having and of our progress in meeting our desired outcome.

In July 2017, we were pleased to see the Department of Transport and Main Roads WA providing a status update on their websites of the transport portfolio recommendations of our 2015 report, *Safe and Viable Cycling in the Perth Metropolitan Area*. This is a good way for agencies to increase transparency and accountability for the actions they are progressing in response to our reports.

Some examples announced or implemented this year, where our work has informed, influenced, or directly resulted in change includes:

- establishment of the Office of Digital Government within the Department of the Premier and Cabinet to drive digital capability and cyber security across the public sector. This was in response to a decade of annual information systems audit reports, which have found little to no improvement in agency management of information systems, particularly information security and business continuity
- a drug and alcohol strategy specific to prisons being developed by the Department of Justice in response to our *Minimising Drugs and Alcohol in Prisons* report (November 2017)
- the development of a centralised information portal relating to biodiversity surveys, as recommended in our *Rich and Rare: Conservation of Threatened Species Follow-up Audit* (September 2017)

- the Department of Fire and Emergency Services (DFES) extended peer support program to include bush fire brigades and ensuring that peer support officers are trained to assist them, addressing concerns raised in our 2015 report, *Support and Preparedness of Fire and Emergency Services Volunteers*. DFES also released an emergency services volunteer sustainability strategy to ensure that expertise is captured, both to address volunteer feedback and recommendations from the Auditor General's report on volunteers
- the Service Priority Review blueprint for public sector reform referencing our May 2016 report, *Delivering Services Online*, to highlight the significant savings available to government through doing business online rather than in person.

Looking forward

Better practice guidance

In 2018-19, we will be working to further secure the impact of our work through **better practice guidance** to assist the broader public sector. Through better practice guides we are aiming to assist agencies and local governments to perform at their most efficient level, encouraging them to adopt better practices to transform and improve business processes.

Hand-in-hand with this initiative is our focus on improving the **effectiveness of audit committees**. We will do this through specific better practice guidance as well as increased interaction and awareness-raising of the cost effective governance benefits from a high functioning audit committee.

Financial statements, key performance indicators, disclosures and other legal requirements, and appendices

Contents

Certification of financial statements.....	80	6: Other assets and liabilities	102	Workers compensation.....	120
Independent Auditor's opinion.....	81-89	7: Financing	103	Governance disclosures.....	121
Statement of comprehensive income.....	90	8: Risks and contingencies.....	105	Contracts with senior officers.....	121
Statement of financial position	91	9: Other disclosures	109	Other employment.....	121
Statement of changes in equity	92	Certification of Key Performance Indicators ..	116	Other legal requirements	122
Statement of cash flows	93	Performance indicators	117	Expenditure on advertising	122
Summary of consolidated account		Key effectiveness performance indicators.....	117	Disability Access and Inclusion Plan	122
appropriations and income estimates.....	94	Key efficiency performance indicators.....	118	Compliance with public sector standards and	
Notes to the financial statements	95	Other financial disclosures	120	ethical codes.....	124
1: Basis of preparation	95	Pricing policies	120	Records management.....	124
2: Office outputs	95	Capital works	120	Government policy requirements	125
3: Use of our funding	96	Staff profile.....	120	Occupational safety and health and injury	
4: Our funding sources	99	Staff development	120	management	125
5: Key assets.....	100				

The Office is responsible for the delivery of one service: public sector auditing

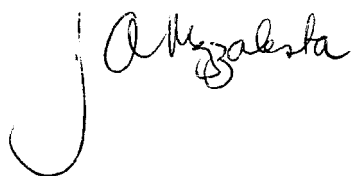


Certification of financial statements

For the reporting period ended 30 June 2018

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 2018 and the financial position as at 30 June 2018.

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.



JUSTINE MEZZATESTA
CHIEF FINANCE OFFICER
9 August 2018



CAROLINE SPENCER
ACCOUNTABLE AUTHORITY
9 August 2018

Independent Auditor's opinion

Independent Auditor's Report

To the Parliament of Western Australia

Office of the Auditor General

Report on the Financial Statements

Opinion

We have audited the financial report of the Office of the Auditor General ("the Office"), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and the Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Office of the Auditor General for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and relevant Treasurer's Instructions.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Office in accordance with the auditor independence requirements of the *Auditor General Act 2006* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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)



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How The Key Audit Matter Was Addressed
Revenue Recognition – Accrued Revenue The Office recognises audit fee revenue based on the percentage of completion of audit engagements. For the year ended 30 June 2018, the Office recorded audit fee revenue of \$18.984 million, of which accrued revenue relating to engagements in progress of \$8.310 million was recorded in the Statement of Financial Position as at balance date. The determination of the percentage of completion for audit engagements in progress requires significant estimation and judgement from management, in particular the assessment of the recoverability of work in progress balances recorded at year end. Work in progress is considered to be a key audit matter due to the significance of the asset to the Office's financial position, and the estimation uncertainty inherent in the nature of the asset.	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none">➤ Assessing the appropriateness of the Office's revenue recognition accounting policies;➤ Obtaining an understanding of management's processes and controls surrounding revenue recognition, billing and work in progress;➤ Testing the design, implementation and effectiveness of the key processes and controls relating to revenue;➤ Critically evaluating and analysing management's assessment and basis for determining the percentage of completion;➤ Identifying any engagements with unusual percentages of completion and assess for reasonableness;➤ Testing of the model's inputs to supporting contracts and documentation for a sample of engagements;➤ Checking the mathematical accuracy of the model used to calculate the accrued revenue balance; and➤ Assessing the appropriateness of the disclosures included in Notes 4 and 6.

Independent Auditor's opinion

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



Key Audit Matter

How The Key Audit Matter Was Addressed

Provisions – Employee Entitlements

Included in the Statement of Financial Position are provisions of \$3.898 million, of which \$3.126 million is current and \$0.772 million is non-current. The provisions consists of employee benefits, including annual and long service leave.

The nature of the operations of the Office require a significant amount of human resources. Therefore, these provisions were identified as a risk due to the quantitative significance of the balance, and the calculations required in estimating the balance.

Our procedures amongst others included:

- Obtaining the client schedules for each class of provision and agreed the amounts to the general ledger;
- Testing of the design, implementation and effectiveness of the key processes and controls relating to payroll;
- Checking arithmetic calculations within each of these schedules;
- Testing a sample of employees' movements in entitlements to supporting documentation;
- Reviewing the actuarial assessment of annual and long service leave;
- Testing the provisions for completeness by comparing the listing to payroll records; and
- Assessing the appropriateness of the disclosures included in Note 3.1(b).

Independent Auditor's opinion

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



Key Audit Matter	How The Key Audit Matter Was Addressed
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Intangible Assets

During the year the Office continued to develop a human resources management information system. Components of this system became operational during the year, with other components remaining in development. The Office has recognised directly attributable costs to this asset, for which the assumptions utilised in making this assessment requires judgements to be made.

Our procedures amongst others included:

- Obtaining schedules supporting the amounts recognised as intangible assets;
- Critical assessment of the judgements of what costs were considered directly attributable in accordance with AASB 138 Intangible Assets;
- Testing of a sample of the additions of intangibles during the year;
- Consideration of the status of intangibles in development, and the useful life of the phases that were completed during the year and amortised; and
- Assessing the appropriateness of the disclosures included in Note 5.2.

Other information

The Auditor General is responsible for the other information. The other information comprises the information included in the Office's annual report for the year ended 30 June 2018, but does not include the financial statements, the audited key performance indicators and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's opinion

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



Responsibilities of the Auditor General 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, the *Financial Management Act 2006* and the relevant 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.

In preparing the financial report, the Auditor General is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, our responsibility is to express an opinion on the financial statements based on our audit. The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but unless otherwise stated not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor General.

Independent Auditor's opinion

Independent Auditor's Report

To the Parliament of Western Australia
Office of the Auditor General (Continued)



- Conclude on the appropriateness of the Auditor General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Auditor General, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Controls

Opinion

We have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Office of the Auditor General. The 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 (the overall control objectives).

Our opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects, 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 2018.

Independent Auditor's opinion

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



Responsibilities of the Auditor General

The Auditor General is responsible for designing, implementing and maintaining controls 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*, relevant Treasurer's Instructions and other relevant written law.

Auditor's Responsibilities

As required by the *Auditor General Act 2006*, our responsibility is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That Standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on our judgement, including the assessment of the risk that controls are not suitably designed or implemented as designed. Our procedures included testing the implementation of those controls that we consider necessary to achieve the overall control objectives.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may be unsuitable because of changes in conditions.

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

Opinion

We have undertaken a reasonable assurance engagement on the key performance indicators of the Office of the Auditor General for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In our opinion, in all material respects, the key performance indicators of the Office of the Auditor General are relevant and appropriate to assist users to access the Office's performance and fairly represent indicated performance for the year ended 30 June 2018.

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 internal controls as the Auditor General determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Auditor General is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 Key Performance Indicators.

Auditor's Responsibility

As required by the *Auditor General Act 2006*, our responsibility is to express an opinion on the key performance indicators. The objectives of the engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the Office's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements relating to assurance engagements.

Independent Auditor's opinion

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



An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. 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 we obtain an understanding of the internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

Independence and Quality Control Relating to the Reports on Financial Statements, Controls and Key Performance Indicators

We have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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 2018 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
Partner

Dated at Perth this 9th day of August 2018

Statement of comprehensive income

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
COST OF SERVICES			
Expenses			
Employee benefits expenses	3.1	16,446	15,397
Supplies and services	3.2	6,904	6,102
Depreciation and amortisation expense	5.3	417	331
Impairment expense	5.4	78	–
Accommodation expenses	3.2	2,180	2,242
Other expenses	3.2	67	74
Total cost of services		26,092	24,146
Income			
Revenue			
User charges and fees	4.2	18,984	16,945
Other revenue	4.3	113	33
Total revenue		19,097	16,978
Gains			
Gain on disposal of non-current assets	4.4	13	–
Total gains		13	–
Total income other than income from State Government		19,110	16,978
NET COST OF SERVICES		6,982	7,168
Income from State Government	4.1		
Service appropriation		7,584	7,181
Services received free of charge		408	474
Total income from State Government		7,992	7,655
SURPLUS FOR THE PERIOD		1,010	487
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,010	487

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7.1	5,126	5,039
Receivables	6.1	8,568	7,008
Amounts receivable for services	6.2	240	330
Other current assets	6.3	474	477
Total Current Assets		14,408	12,854
Non-Current Assets			
Restricted cash and cash equivalents	7.1	114	53
Amounts receivable for services	6.2	3,431	2,810
Property, plant and equipment	5.1	575	559
Intangible assets	5.2	340	469
Total Non-Current Assets		4,460	3,891
TOTAL ASSETS		18,868	16,745
LIABILITIES			
Current Liabilities			
Payables	6.4	1,180	540
Provisions	3.1	3,126	2,784
Total Current Liabilities		4,306	3,324
Non-Current Liabilities			
Provisions	3.1	772	941
Total Non-Current Liabilities		772	941
TOTAL LIABILITIES		5,078	4,265
NET ASSETS		13,790	12,480
EQUITY			
	9.3		
Contributed equity		8,631	8,331
Accumulated surplus		5,159	4,149
TOTAL EQUITY		13,790	12,480

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 2018

	Note	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000
Balance at 1 July 2016	9.3	8,081	3,662	11,743
Surplus		–	487	487
Total comprehensive income for the period		–	487	487
Transactions with owners in their capacity as owners:				
Capital appropriations		250	–	250
Total		250	–	250
Balance at 30 June 2017		8,331	4,149	12,480
Balance at 1 July 2017		8,331	4,149	12,480
Surplus		–	1,010	1,010
Total comprehensive income for the period		–	1,010	1,010
Transactions with owners in their capacity as owners:				
Capital appropriations		300	–	300
Total		300	–	300
Balance at 30 June 2018		8,631	5,159	13,790

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 2018

	Note	2018 \$'000	2017 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		6,863	6,460
Capital appropriations		300	250
Holding Account drawdown		190	390
Net cash provided by State Government		7,353	7,100
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(16,317)	(15,296)
Supplies and services		(6,197)	(6,678)
Accommodation		(1,772)	(1,768)
GST payments on purchases		(823)	(908)
GST payments to taxation authority		(1,196)	(1,243)
Other payments		(66)	(74)
Receipts			
User charges and fees		17,523	17,854
GST receipts on sales		1,815	1,942
GST receipts from taxation authority		141	208
Other receipts		38	33
Net cash used in operating activities	7.1.2	(6,854)	(5,930)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(351)	(964)
Receipts			
Proceeds from sale of non-current assets		-	-
Net cash used in investing activities		(351)	(964)
Net increase/(decrease) in cash and cash equivalents		148	206
Cash and cash equivalents at the beginning of the period		5,092	4,886
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.1.1	5,240	5,092

The Statement of cash flows should be read in conjunction with the accompanying notes.

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2018

	2018 Estimate \$'000	2018 Actual \$'000	Variance \$'000	2018 Actual \$'000	2017 Actual \$'000	Variance \$'000
DELIVERY OF SERVICES						
Item 72 Net amount appropriated to deliver services	6,886	6,831	(55)	6,831	6,428	403
Amount Authorised by Other Statutes						
– <i>Salaries and Allowances Act 1975</i>	753	753	–	753	753	–
Total appropriations provided to deliver services	7,639	7,584	(55)	7,584	7,181	403
CAPITAL						
Item 122 Capital appropriations	300	300	–	300	250	50
GRAND TOTAL	7,939	7,884	(55)	7,884	7,431	453
DETAILS OF EXPENSES BY SERVICE						
Public Sector Auditing	26,105	26,092	(13)	26,092	24,146	1,946
Total Cost of Services	26,105	26,092	(13)	26,092	24,146	1,946
Less Total Income	(18,031)	(19,110)	(1,079)	(19,110)	(16,978)	(2,132)
Net Cost of Services	8,074	6,982	(1,092)	6,982	7,168	(186)
Adjustments	(435)	602	1,037	602	13	589
Total appropriations provided to deliver services	7,639	7,584	(55)	7,584	7,181	403
CAPITAL EXPENDITURE						
Purchase of non-current physical assets	490	351	(139)	351	964	(613)
Adjustments for other funding sources	(190)	(51)	139	(51)	(714)	663
Capital appropriations	300	300	–	300	250	50

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

Note 9.8 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2018 and between the actual results for 2018 and 2017.

Notes to the financial statements

1: Basis of preparation

The Office of the Auditor General (the Office) is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Office is a not-for-profit reporting entity.

A description of the nature of our operations and principal activities has been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority on 9 August 2018.

Statement of compliance

These general purpose financial statements have been prepared in accordance with:

- *Financial Management Act 2006* (FMA)
- The Treasurer's Instructions (the Instructions or TI)
- Australian Accounting Standards (AAS) including applicable interpretations
- Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

The *Financial Management Act 2006* and Treasurer's Instructions take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. All values are rounded to the nearest thousand dollars (\$'000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

2: Office outputs

How the Office operates

This section includes information regarding the nature of funding the Office receives and how this funding is utilised to achieve the Office's objectives.

2.1 Office objectives

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 is responsible for the delivery of one 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.

All income, expenditure, assets and liabilities are in relation to the delivery of this service.

2018
\$'000

2017
\$'000

3: Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the Office's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Office in achieving its objectives and relevant notes are:

	Notes		
Employee benefits expenses	3.1(a)	16,446	15,397
Employee related provisions	3.1(b)	3,898	3,725
Other expenditure	3.2	9,150	8,418

3.1(a) Employee benefits expenses

Financial disclosure

Wages and salaries	15,024	14,026
Superannuation – defined contribution plans ^(a)	1,422	1,371
	16,446	15,397

(a) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

Accounting Policy

Wages and salaries: Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements.

Superannuation: The amount recognised in profit or loss in the Statement of comprehensive income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

2018
\$'000

2017
\$'000

3.1(a) Employee benefits expenses (continued)

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however 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.

The 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. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

	2018 \$'000	2017 \$'000
3.1(b) Employee related provisions		
<i>Financial disclosure</i>		
Current		
<i>Employee benefits provision</i>		
Annual leave ^(a)	1,324	1,023
Long service leave ^(b)	1,785	1,720
Purchased leave	3	28
	3,112	2,771
<i>Other provisions</i>		
Employment on-costs	14	13
	14	13
Total	3,126	2,784
Non-Current		
<i>Employee benefits provision</i>		
Long service leave ^(b)	769	937
	769	937
<i>Other provisions</i>		
Employment on-costs	3	4
	3	4
Total	772	941
Total employee related provisions	3,898	3,725
(a) Annual leave liabilities – assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	987	744
More than 12 months after the end of the reporting period	337	279
	1,324	1,023

	2018 \$'000	2017 \$'000
3.1(b) Employee related provisions (continued)		
(b) Long service leave liabilities – assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	655	545
More than 12 months after the end of the reporting period	1,899	2,112
	2,554	2,657

Accounting policy

Provisions are made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered. 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.

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 30 June 2018 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.

2018
\$'000

2017
\$'000

3.1(b) Employee related provisions (continued)

Long service leave

A liability for long service leave is recognised after an employee has completed 4 years (2017: 4 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 30 June 2018 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.

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.

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 recognised separately as liabilities and expenses when employment to which they relate has occurred. Employment on-costs are included as part of 'Note 3.2 Other expenditure'. The related liability is included in 'Employment on-costs provision'.

2018
\$'000

2017
\$'000

3.2. Other expenditure

Financial disclosure

Supplies and services

Contracted audit work	4,528	3,983
Other services and contracts	621	502
Other staffing costs	193	192
Repairs and maintenance	637	730
Travel and accommodation	234	199
Administration	272	201
Consumables	66	82
Motor vehicle lease expenses	89	112
Artwork leases	2	2
Communications	159	96
Advertising	1	1
Other	102	2
Total supplies and services expenses	6,904	6,102

Accommodation expenses

Office lease rentals	1,610	1,656
Office parking	97	102
Monthly outgoings	473	484
Total accommodation expenses	2,180	2,242

Other expenses

Employment on-costs	42	33
Other expenses	25	41
Total other expenses	67	74
Total other expenditure	9,150	8,418

2018	2017
\$'000	\$'000

4: Our funding sources

How we obtain our funding

This section provides additional information about how the Office obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Office and relevant notes are:

	Notes		
Income from State Government	4.1	7,992	7,655
User charges and fees	4.2	18,984	16,945
Other revenue	4.3	113	33
Gains	4.4	13	–

4.1 Income from State Government

Financial disclosure

Appropriation received during the period:

Service appropriation ^(a)	7,584	7,181
	7,584	7,181

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

State Solicitor's Office	1	17
Department of Finance	407	457
	408	474
Total income from State Government	7,992	7,655

(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.

2018	2017
\$'000	\$'000

4.1 Income from State Government (continued)

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.

4.2 User charges and fees

Financial disclosure

Audit fees	18,984	16,945
	18,984	16,945

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 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. 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.

2018
\$'000

2017
\$'000

4.2 User charges and fees (continued)

Net appropriation determination – The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. The Office retained \$19.0 million in 2018 (\$17.0m in 2017) from the following:

Assurance and audit fees
Government vehicle scheme
Other Office revenue

4.3 Other revenue

Financial disclosure

Contributions for the use of motor vehicle	35	31
Miscellaneous	78	2
	113	33

4.4 Gains

Proceeds from disposal of non-current assets		
– Office and computer equipment	13	–
Carrying amount of non-current assets disposed of		
– Office and computer equipment	–	–
Net gain	13	–

2018
\$'000

2017
\$'000

5: Key assets

Assets the Office utilises for economic benefit or service potential

This section includes information regarding the key assets the Office utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets.

Notes

Property, plant and equipment	5.1	575	559
Intangibles	5.2	340	469
Depreciation and amortisation expense	5.3		
Impairment of assets	5.4		

5.1 Property, plant and equipment

Financial disclosure

Office and Computer Equipment

At cost	2,217	2,255
Accumulated depreciation	(1,642)	(1,696)
	575	559

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:

2017

Carrying amount at start of period	191
Additions	554
Depreciation	(186)
Carrying amount at end of period	559

2018

Carrying amount at start of period	559
Additions	278
Depreciation	(262)
Carrying amount at end of period	575

2018	2017
\$'000	\$'000

5.1 Property, plant and equipment (continued)

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.

5.2 Intangible assets

Financial disclosure

Computer software

At cost	1,589	1,537
Accumulated amortisation	(1,400)	(1,244)
Carrying amount at the end of the period	189	293
Computer software in development – at cost	151	176
Total	340	469

2018	2017
\$'000	\$'000

5.2 Intangible assets (continued)

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	Computer Software in Development \$'000	Total \$'000
2017			
Carrying amount at start of period	114	49	193
Additions	39	382	421
Transfers	255	(255)	–
Amortisation expense	(145)	–	(145)
Carrying amount at end of period	293	176	469
2018			
Carrying amount at start of period	293	176	469
Additions	–	104	104
Transfers	51	(51)	–
Impairment loss (Note 5.4)	–	(78)	(78)
Amortisation expense	(155)	–	(155)
Carrying amount at end of period	189	151	340

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 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.

Expenditure relating to the development of computer software is capitalised when it meets the criteria outlined in the relevant Australian Accounting Standards. Management has exercised judgement in determining the costs that are directly attributable to the development of computer software and require capitalisation. 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 the assets within the next financial year.

2018	2017
\$'000	\$'000

5.3 Depreciation and amortisation expense

Accounting policy

Depreciation for property, plant and equipment 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	262	186
Amortisation – intangible assets	155	145
	417	331

5.4 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

During the financial year, the decision was made to discontinue work on the timekeeper element of the People Practice and Management Project. As the economic benefits of this component of the project will not be realised, an impairment loss has been recognised.

An amount of \$77,885 in computer software in development has been written down.

There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2018. (\$Nil as at 30 June 2017).

2018	2017
\$'000	\$'000

6: Other assets and liabilities

This section sets out those assets and liabilities that arose from the operations of the Office and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes		
Receivables	6.1	8,568	7,008
Amounts receivable for services (Holding Account)	6.2	3,671	3,140
Other assets	6.3	474	477
Payables	6.4	1,180	540

6.1 Receivables

Financial disclosure

Current

Accrued revenue	8,310	6,810
GST receivables	204	141
Amounts receivable for employees seconded	54	52
Salary over-payments	–	5
Total	8,568	7,008

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.

Accrued revenue includes amounts receivable for work-in-progress. 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.

	2018	2017
	\$'000	\$'000

6.2. Amounts receivable for services (Holding Account)

Financial disclosure

Current	240	330
Non-current	3,431	2,810
Total	3,671	3,140

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

6.3. Other assets

Current

Prepayments	474	477
Total	474	477

6.4 Payables

Financial disclosure

Current

Accrued expenses	607	12
Accrued salaries	64	56
Paid parental leave	—	3
Amounts payable for employees seconded	—	71
Work in progress contractor audit work	509	398
Total	1,180	540

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.

7: Financing

This section sets out the material balances and disclosures associated with the financing and cash flows of the Office.

	Notes
Cash and cash equivalents	7.1
Reconciliation of cash and cash equivalents	7.1.1
Reconciliation of net cost of services to net cash used in operating activities	7.1.2
Commitments	7.2

7.1 Cash and cash equivalents

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.

7.1.1 Reconciliation of cash and cash equivalents

Reconciliation of cash and cash equivalents

Cash and cash equivalents 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	5,126	5,039
Restricted cash and cash equivalents	114	53
	5,240	5,092

Restricted cash and cash equivalents

Financial disclosure

Non-current	114	53
	114	53

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.

	2018 \$'000	2017 \$'000
7.1.2 Reconciliation of net cost of services to net cash used in operating activities		
Net cost of services	(6,982)	(7,168)
Non-cash items		
Depreciation and amortisation expense	417	331
Services received free of charge	408	474
Impairment expense	78	–
Net gain on disposal of non-current assets	(13)	–
(Increase)/decrease in assets		
Current receivables	(1,494)	1,007
Increase/(decrease) in liabilities		
Current payables	622	(433)
Current provisions	342	(39)
Non-current provisions	(169)	(23)
Change in GST in receivables/payables	(63)	(79)
Net cash used in operating activities	(6,854)	(5,930)

7.2 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.

	2018 \$'000	2017 \$'000
7.2 Commitments (continued)		
<i>Financial disclosure</i>		
Non-cancellable operating lease commitments		
Commitments for minimum lease payments are payable as follows:		
Within 1 year	2,111	2,315
Later than 1 year and not later than 5 years	8,680	15
Later than 5 years	11	–
	10,802	2,330

The Office has entered into a Memorandum of Understanding (MoU) with the Department of Finance's Building Management and Works division for leasing floor space at Albert Facey House. The MoU 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. It covers a 5-year occupancy period from 1 July 2018. Rent is payable monthly in arrears. Contingent rent provisions within the MoU require that the minimum lease payments shall be increased by any increase in market indices from 1 July 2019 and bi-annually thereafter.

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	34	91
Later than 1 year and not later than 5 years	–	–
Later than 5 years	–	–
	34	91

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	4,230	2,519
Later than 1 year and not later than 5 years	2,445	987
Later than 5 years	–	–
	6,675	3,506

	2018	2017
	\$'000	\$'000

7.2 Commitments (continued)

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	44	48
Later than 1 year and not later than 5 years	—	48
Later than 5 years	—	—
	44	96

8: Risks and contingencies

This note sets out the key risk management policies and measurement techniques of the Office

Financial risk management

Notes

8.1

8.1. Financial risk management

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.

	2018	2017
	\$'000	\$'000

8.1. Financial risk management (continued)

(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 8.1(b) 'Financial instrument disclosures' and Note 6.1 '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.

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.

8.1. Financial risk management (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	
2018								
Cash and cash equivalents	5,126	5,126	—	—	—	—	—	—
Restricted cash and cash equivalents	114	114	—	—	—	—	—	—
Receivables ^(a)	8,364	8,364	—	—	—	—	—	—
Amounts receivable for services	3,671	3,671	—	—	—	—	—	—
	17,275	17,275	—	—	—	—	—	—
2017								
Cash and cash equivalents	5,039	5,039	—	—	—	—	—	—
Restricted cash and cash equivalents	53	53	—	—	—	—	—	—
Receivables ^(a)	6,867	6,867	—	—	—	—	—	—
Amounts receivable for services	3,140	3,140	—	—	—	—	—	—
	15,099	15,099	—	—	—	—	—	—

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

8.1. Financial risk management (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 %	Carrying amount \$'000	Interest rate exposure			Nominal amount \$'000	Maturity dates				
			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
2018											
Financial Assets											
Cash and cash equivalents	–	5,126	–	–	5,126	5,126	5,126	–	–	–	–
Restricted cash and cash equivalents	–	114	–	–	114	114	–	–	–	–	114
Receivables ^(a)	–	8,364	–	–	8,364	8,364	8,364	–	–	–	–
Amounts receivable for services	–	3,671	–	–	3,671	3,671	–	240	–	3,431	–
		17,275	–	–	17,275	17,275	13,490	240	–	3,431	114
Financial Liabilities											
Payables	–	1,180	–	–	1,180	1,180	1,180	–	–	–	–
		1,180	–	–	1,180	1,180	1,180	–	–	–	–

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

8.1 Financial risk management (continued)

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

	Weighted average effective interest rate %	Carrying amount \$'000	Interest rate exposure			Nominal amount \$'000	Maturity dates				
			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
2017											
Financial Assets											
Cash and cash equivalents	–	5,039	–	–	5,039	5,039	5,039	–	–	–	–
Restricted cash and cash equivalents	–	53	–	–	53	53	–	–	–	–	53
Receivables ^(a)	–	6,867	–	–	6,867	6,867	6,867	–	–	–	–
Amounts receivable for services	–	3,140	–	–	3,140	3,140	–	330	–	2,810	–
		15,099	–	–	15,099	15,099	11,906	330	–	2,810	53
Financial Liabilities											
Payables	–	540	–	–	540	540	540	–	–	–	–
		540	–		540	540	540	–	–	–	–

(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.

	2018	2017
	\$'000	\$'000

9: Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Key management personnel	9.1
Related party transactions	9.2
Equity	9.3
Services provided free of charge	9.4
Remuneration of auditor	9.5
Events occurring after the end of the reporting period	9.6
Supplementary financial information	9.7
Explanatory statement	9.8
Future impact of Australian Accounting Standards not yet operative	9.9

9.1 Key management personnel

The Office has determined that key management personnel include the senior officers of the Office. Total compensation for senior officers for the reporting period are presented within the following bands:

Compensation Band (\$)	2018	2017
20,001 – 30,000	1	–
40,001 – 50,000	1	–
170,001 – 180,000	1	–
200,001 – 210,000	–	1
210,001 – 220,000	1	–
220,001 – 230,000	1	2
240,001 – 250,000	–	1
250,001 – 260,001	2	–
260,001 – 270,000	–	1
270,001 – 280,000	1	–
300,001 – 310,000	–	1
440,001 – 450,000	1	1
	\$'000	\$'000
Short-term employment benefits	1,535	1,559
Post-employment benefits	192	173
Other long-term benefits	186	188
Total compensation of senior officers	1,913	1,920

9.2 Related party transactions

The Office is a wholly-owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Office include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Significant transactions with Government-related entities:

- service appropriation (Note 4.1);
- capital appropriation (Note 9.3);
- audit fee income (Note 4.2);
- office lease rentals and monthly outgoings (Notes 3.2 and 7.2);
- motor vehicle lease expenses (Notes 3.2 and 7.2);
- services received free of charge (Note 4.1).

Significant balances with Government-related entities at year end include:

- Amounts receivable for services (Holding Account) (Note 6.2); and
- accrued revenue receivable (Note 6.1).

Material transactions with other related parties:

- superannuation payments to GESB (Note 3.1a).

The Office had no material related party transactions with Ministers, Senior Officers or their close family members or their controlled or jointly controlled entities. Refer to Note 9.1 for disclosure of compensation of key management personnel.

	2018 \$'000	2017 \$'000
9.3. Equity		
<i>Financial disclosure</i>		
Contributed equity		
Balance at start of period	8,331	8,081
Contributions by owners		
Capital appropriation	300	250
Total contributions by owners	300	250
Balance at end of period	8,631	8,331
Accumulated surplus		
Balance at start of period	4,149	3,662
Result for the period	1,010	487
Balance at end of period	5,159	4,149
Total Equity at end of period	13,790	12,480

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.

	2018 \$'000	2017 \$'000
9.4 Services provided free of charge		
During the year no audit services were provided by the Office free of charge to departments, statutory authorities and request audits:		
Chowerup Cemetery Board	—	3
Dwellingup Cemetery Board	—	3
	—	6

9.5 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	41
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9.6 Events occurring after the end of the reporting period

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

9.7 Supplementary financial information

During the current and previous financial years, there were no:

- write-offs by the Office;
- losses through theft, defaults and other causes; and
- gifts of public property provided by the Office.

9.8 Explanatory statement

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below. Narratives are provided for major variances, which are greater than:

- 5% and \$483,000 for the Statements of Comprehensive Income and Cash Flows
- 5% and \$335,000 for the Statement of Financial Position.

	Variance Note	Estimate 2018 \$'000	Actual 2018 \$'000	Actual 2017 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2018 and 2017 \$'000
Statement of Comprehensive Income						
Expenses						
Employee benefits expense	1,a	15,429	16,446	15,397	1,017	1,049
Supplies and services	2,b	7,542	6,904	6,102	(638)	802
Depreciation and amortisation expense		721	417	331	(304)	86
Impairment expense		—	78	—	78	78
Accommodation expenses		2,339	2,180	2,242	(159)	(62)
Other expenses		74	67	74	(7)	(7)
Total cost of services		26,105	26,092	24,146	(13)	1,946
Income						
<i>Revenue</i>						
User charges and fees	3,c	18,031	18,984	16,945	953	2,039
Other revenue		—	113	33	113	80
Total Revenue		18,031	19,097	16,978	1,066	2,119
<i>Gains</i>						
Gains on disposal of non-current assets		—	13	—	13	13
Total Gains		—	13	—	13	13
Total income other than income from State Government		18,031	19,110	16,978	1,079	2,132
NET COST OF SERVICES		8,074	6,982	7,168	(1,092)	(186)
Income from State Government						
Service appropriation		7,639	7,584	7,181	(55)	403
Services received free of charge		467	408	474	(59)	(66)
Total income from State Government		8,106	7,992	7,655	(114)	337
SURPLUS FOR THE PERIOD		32	1,010	487	978	523
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		32	1,010	487	978	523

9.8 Explanatory statement (continued)

	Variance Note	Estimate 2018 \$'000	Actual 2018 \$'000	Actual 2017 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2018 and 2017 \$'000
Statement of Financial Position						
ASSETS						
Current Assets						
Cash and cash equivalents		3,061	5,126	5,039	2,065	87
Receivables		9,479	8,568	7,008	(911)	1,560
Amounts receivable for services		240	240	330	–	(90)
Other current assets		422	474	477	52	(3)
Total Current Assets		13,202	14,408	12,854	1,206	1,554
Non-Current Assets						
Restricted cash and cash equivalents		114	114	53	–	61
Amounts receivable for services		3,431	3,431	2,810	–	621
Property, plant and equipment	4	194	575	559	381	16
Intangible assets		617	340	469	(277)	(129)
Total Non-Current Assets		4,356	4,460	3,891	104	569
TOTAL ASSETS		17,558	18,868	16,745	1,310	2,123
LIABILITIES						
Current Liabilities						
Payables		1,411	1,180	540	(231)	640
Provisions	d	2,823	3,126	2,784	303	342
Total Current Liabilities		4,234	4,306	3,324	72	982
Non-Current Liabilities						
Provisions		964	772	941	(192)	(169)
Total Non-Current Liabilities		964	772	941	(192)	(169)
TOTAL LIABILITIES		5,198	5,078	4,265	(120)	813
NET ASSETS		12,360	13,790	12,480	1,430	1,310
EQUITY						
Contributed equity		8,631	8,631	8,331	–	300
Accumulated surplus		3,729	5,159	4,149	1,430	1,010
TOTAL EQUITY		12,360	13,790	12,480	1,430	1,310

9.8 Explanatory statement (continued)

	Variance Note	Estimate 2018 \$'000	Actual 2018 \$'000	Actual 2017 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2018 and 2017 \$'000
Statement of Cash Flows						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation		6,918	6,863	6,460	(55)	403
Capital appropriations		300	300	250	–	50
Holding Account drawdown		190	190	390	–	(200)
Net cash provided by State Government		7,408	7,353	7,100	(55)	253
Utilised as follows:						
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	5,e	(15,370)	(16,317)	(15,296)	(947)	(1,021)
Supplies and services	6,f	(7,190)	(6,197)	(6,678)	993	481
Accommodation		(1,888)	(1,772)	(1,768)	116	(4)
GST payments on purchases		(810)	(823)	(908)	(13)	85
GST payments to taxation authority		(990)	(1,196)	(1,243)	(206)	47
Other payments		(74)	(66)	(74)	8	8
Receipts						
User charges and fees		17,118	17,523	17,854	405	(331)
GST receipts on sales		1,630	1,815	1,942	185	(127)
GST receipts from taxation authority		170	141	208	(29)	(67)
Other receipts		–	38	33	38	5
Net cash used in operating activities		(7,404)	(6,854)	(5,930)	550	(924)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets	g	(490)	(351)	(964)	139	613
Receipts						
Proceeds from sale of non-current assets		–	–	–	–	–
Net cash used in investing activities		(490)	(351)	(964)	139	613
Net increase/(decrease) in cash and cash equivalents		(486)	148	206	634	(58)
Cash and cash equivalents at the beginning of the period		3,661	5,092	4,886	1,431	206
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		3,175	5,240	5,092	2,065	148

9.8 Explanatory statement (continued)

Major estimate and actual variance narratives

Statement of comprehensive income

1. Employee benefits expense is greater than the estimate by \$1,017,000 (6.6%). During the year the Office commenced the financial audit of 46 local government entities. Additional staff resources were required to conduct 3 in-house audits and undertake contract management activities of 43 contracted out audits. The estimate has included a long standing understatement in employee benefits expense, which has been corrected in the 2018-19 budget and forward estimates through a once off adjustment of \$700,000 between employee benefits and supplies and services. The actual result is more closely aligned to the new revised employee benefits expense estimate.
2. Supplies and services expense is lower than the estimate by \$638,000 (8.5%) as a result of the following:
 - A long standing overstatement in contractor expenses in the estimates was addressed in the 2018-19 budget and forward estimates through a once off adjustment (\$700,000) between employee benefits and supplies and services.
 - Additional private sector audit contracts of \$470,000 to undertake the financial audits of local government entities.
 - Underspend in other contracts and services of \$408,000.
3. Revenue from user charges and fees is greater than the estimate by \$953,000 (5.3%) mainly due to the recognition of an additional \$704,000 of revenue relating to the financial auditing of local government entities.

Statement of financial position

4. The carrying amount of property, plant and equipment is over the estimate by \$381,000. This is the result of the estimate having a combination of a lower estimated opening carrying amount (\$369,000) and additional estimated depreciation (\$165,000), offset by higher estimated purchases of computer hardware of \$153,000.

Statement of cash flows

5. Payment of employee benefits is greater than the estimate by \$947,000 (6.2%). During the year the Office commenced the financial audit of 46 local government entities. Additional staff resources were required to conduct 3 in-house audits and undertake contract management activities of 43 contracted out audits. In addition, a long standing understatement in employee benefits expenses in the estimates has been addressed through a once off adjustment of \$700,000 between employee benefits and supplies and services.
6. Payments for supplies and services is lower than the estimate by \$993,000 (13.8%). A long standing overstatement in contractor expenses in the estimate

9.8 Explanatory statement (continued)

was addressed through a once off adjustment of \$700,000 between employee benefits and supplies and services. Increases in services and contracts include expenses incurred in undertaking financial audits of 43 local government entities contracted out to private sector audit firms. A portion of contracted work (\$435,000) is recognised as accrued expenses to be paid in the next financial year.

Major actual (2018) and comparative (2017) variance narratives

Statement of comprehensive income

- a. Employee benefits expense is greater than the prior year by \$1,049,000 (6.8%) as a result of additional resources required to undertake local government financial and performance auditing.
- b. Supplies and services expense is greater than the prior year by \$802,000 (13.1%) as a result of additional private sector audit contracts to undertake the financial audits of local government entities and State agency audits that were previously conducted in-house.
- c. User charges and fees is greater than the prior year by \$2,039,000 (12.0%). This is the result of the recognition of additional revenue of \$704,000 relating to financial auditing of local government entities, and increased value of activity for the period for existing financial audits reflected in work in progress at year end.

Statement of financial position

- d. The increase in current provisions of \$342,000 (12.3%) is due to a combination of a prior year understatement of annual leave liability (\$139,000) and an increase in leave entitlements (\$203,000).

Statement of cash flows

- e. Payments of employee benefits is greater than the prior year by \$1,021,000 (6.7%) reflecting an increase in resources required to undertake local government financial and performance auditing.
- f. Payments for supplies and services has reduced by \$481,000 (7.2%) as a result of an increase in contractor expenses recognised as accruals to be paid in the next financial year.
- g. Payments for the purchase of assets reduced by \$613,000. In 2017-18 the Office spent \$351,000 primarily on replacement laptops (\$102,000), audio visual devices (\$145,000) and software projects (\$86,000).

In the prior financial year, \$964,000 was spent on:

- software development (\$206,000 spent on the completion of the payroll component, and \$164,000 on the timekeeper, reporting and training and development components); and
- computer hardware with the upgrade of laptops, replacement of the firewall and the purchase of LED digital display screens (\$554,000).

9.9 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

AASB 9	<i>Financial Instruments (and related revisions to other Standards)</i>	1 Jan 2018
	This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments.	
	The Office has not yet determined the potential impact of the Standard.	
AASB 15	<i>Revenue from Contracts with Customers</i>	1 Jan 2019
	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's income is primarily derived from 'User charges and fees'. The Office has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Other revenue'.	
AASB 16	<i>Leases</i>	1 Jan 2019
	This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.	
	Whilst the impact of AASB 16 has not yet been quantified, the Office currently has operating lease commitments for \$10.8m. The Office anticipates most of this amount will be brought onto the statement of financial position at their present value, excepting amounts relating to short-term or low-value leases. Interest and amortisation expense will increase and lease rental expense will decrease.	
AASB 1058	<i>Income of Not-for-Profit Entities</i>	1 Jan 2019
	This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or an obligation to acquire an asset. Income derived from appropriations will be measured under AASB 1058. The Office has not yet determined the potential impact of the Standard.	

Certification of Key Performance Indicators

For the year ended 30 June 2018

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 2018.



CAROLINE SPENCER
ACCOUNTABLE AUTHORITY
9 August 2018

Performance indicators

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

Through our desired outcome, 'an informed Parliament on public sector accountability and performance' we provide oversight of government achievement of its 4 goals, including responsible financial management and better service delivery.

Key effectiveness performance indicators

Our key effectiveness performance indicator is:

The extent that the OAG 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.

A crucial element of this 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. Table 23 shows our actual performance against this 3-year target. While we aim to meet these 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.

Table 23 also shows the number of reports tabled in the preceding 4 years, and our performance in 2017-18.

We achieved our 3-year target overall, and in 3 of the 4 categories. The only category where we did not achieve the target was in Economic development, where we fell 2 short of the target.

The variances in our actual to target, reflects:

- the Auditor General's decision to choose audit topics that in our view at the time would better inform Parliament and the community
- the diversion of resources to opinions on ministerial notifications under section 82 of the *Financial Management Act 2006* (FM Act). The reviews of these notifications are a legislative obligation and use the same resources as planned performance audit reports.

The total actual reports over 3 years was greater than the target mainly due to the impact of the unplanned section 82 reports, which are included in the Governance category.

Category	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2017-18 Target	Actual over 3 years	Target over 3 years
Service delivery	5	4	7	4	4	8	15	15
Economic development	4	2	3	1	3	2	7	9
Social and environment	2	2	2	1	6	5	9	9
Governance	15	12	17	20	14	13	51	42
Total	26	20	29	26	27	28	82	75

Table 23: Key effectiveness performance indicator 2013-14 to 2017-18

Our topic selection process aims to provide Parliament with advice and assurance across all 4 categories of public sector activity. Our targets are 1 factor in our selection of topics. Other factors include the significance of identified issues and matters referred to us by Parliament. For this reason, our category targets may not always be met in any 1 year.

Key efficiency performance indicators

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

The gross government expenditure value incorporates total public sector expenditure together with expenditure by universities, superannuation boards and other entities we audit, but 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.

Although the audit costs in these efficiency indicators include the costs of local government audits, gross government expenditure for 2017-18 does not include expenditure by local governments. This approach has been adopted because the OAG became responsible for local government audits in late 2017 and it is currently in an initial transition phase. Revisions to these indicators will be considered for future reporting.

The audit costs used to calculate the key efficiency indicators are extracted from the OAG'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 OAG overhead.

Efficiency indicator	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2017-18 Target
Total audit cost per million dollars of gross government expenditure	\$472	\$509	\$479	\$449	\$504	\$495
Attest (financial) audit cost per million dollars of gross government expenditure	\$355	\$370	\$354	\$328	\$372	\$347
Performance audit cost per million dollars of gross government expenditure	\$117	\$139	\$125	\$121	\$132	\$149
Average number of days taken after balance date to issue financial audit opinions	69.1 days	67.0 days	66.2 days	65.5 days	64.6 days	68.0 days

Table 24: Key efficiency performance indicators 2013-14 to 2017-18

The increases in total audit cost, attest (financial) audit cost and performance audit cost per million dollars of gross government expenditure compared to the prior year of 12.2%, 13.4% and 9.1% respectively were due mainly to 2 factors:

1. audit costs increased because more audits were performed due to the OAG's audit mandate expanding during the year to include local government financial and performance audits
2. there was a 3.8% decrease in gross government expenditure.

The increase in attest (financial) audit cost per million dollars of gross government expenditure compared to the target of 7.2% was due to the additional local government financial audits performed that were not included in the original target.

The performance audit cost per million dollars of gross government expenditure was 11.4% below the target. Our desired strategy was not achieved largely because funding for performance audits has not matched our target to direct 30% of overall audit effort towards performance audits. The actual result was 26%.

Section 64 of the FM Act 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. Accordingly, we have 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 the 2017-18 actual and target was 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. Using this model, we invoice agencies and local governments 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 our behalf, we base the fees 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 2017-18 we continued our ongoing asset replacement program. Capital projects this year included:

- upgraded LED digital display screens (\$145,500)
- laptop replacement program (\$115,665)
- software projects – completion of the HR system training and development component (\$28,500) and continued development of reporting functionality (\$75,550)
- upgraded portable monitors (\$9,700)
- new scanning equipment (\$6,500).

Staff profile

	At June 2016	At June 2017	At June 2018
Full time permanent	106	107	114
Full time contract	11	14	14
Part time permanent	12	12	17
Part time contract	4	2	1
On secondment into OAG	3	4	4
Total	136	139	150

Table 25: The OAG's staff profile

Staff development

We are committed to the development of our people and have an extensive program that delivered in excess of 9,800 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 program is outlined in the Learning and Professional Development section (page 26).

Workers compensation

During the financial year 1 compensation claim was recorded. The claim was in relation to an Occupational Safety and Health incident (page 125). This is an increase on 2016-17, when no compensation claims were recorded.

Governance disclosures

Contracts with 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 OAG other than normal contracts of employment of service.

Other employment

Under schedule 1, clause 3 of the *Auditor General Act 2006* (AG Act), the Auditor General must not, except so far as authorised by law or by resolutions of both Houses of Parliament, hold certain offices, places or positions referred to 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 OAG.

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).

– Caroline Spencer.

At no time while acting as the Auditor General did I engage in any paid employment outside the duties of that office. I was also a member of the State Records Commission, as authorised by the State Records Act 2000, section 58n(a).

– Colin Murphy.

Unauthorised use of credit cards

OAG officers hold corporate credit cards where their functions warrant use of this facility. Despite each cardholder being reminded of their obligations annually under the Office's credit card policy, one employee inadvertently used the corporate credit card for their personal lunch. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, also that the nature of the expenditure was immaterial and characteristic of an honest mistake.

	2018 \$
Aggregate amount of personal use expenditure for the reporting period	11
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	–
Aggregate amount of personal use expenditure settled by the due date (after 5 working days)	11
Aggregate amount of personal use expenditure outstanding at balance date	–

Table 26: Unauthorised use of credit cards in 2017-18

Board and committee remuneration

The Independent Chair of our Audit and Risk Management Committee is the only OAG committee position that receives remuneration as a consequence of committee membership.

Position	Name	Type of remuneration	Period of membership 2017-18	Gross/actual remuneration 2017-18 financial year*
Independent Chair of the Audit and Risk Management Committee	Des Pearson	Hourly rate	0 [^]	\$0
Independent Chair of the Audit and Risk Management Committee	David Gilchrist	Hourly rate	6 months	\$8,042.50
Total				\$8,042.50

* Remuneration reported excludes travel expenses incurred as per Public Sector Commissioner's Circular 2009-20 – Reimbursement of Travel Expenses for Members of Government Boards and Committees

[^] Mr Pearson commenced as independent Chair on 22 June 2018 and did not receive any remuneration in 2017-18.

Table 27: Remuneration of the OAG Audit and Risk Management Committee Independent Chair

Other legal requirements

Expenditure on advertising

In accordance with section 175ZE of the *Electoral Act 1907*, the OAG incurred the following expenditure in recruitment advertising, conducting surveys and our contribution to the ACAG benchmarking survey.

The total expenditure for 2017-18 was \$54,887.00.

Expenditure was incurred in the following areas (ex-GST):

Expenditure	2017-18 Total	Expenditure	Amount
Recruitment advertising	\$705.00	Adcorp	\$705.00
Surveys	\$54,182.00	Orima	\$54,182.00

Table 28: The OAG's expenditure on advertising

Disability Access and Inclusion Plan

We are now into the second year of our Disability Access and Inclusion Plan (DAIP) 2017-2021. The DAIP outlines our commitment to ensuring that people with disability, their families and carers have:

- ready access to our services, information and facilities
- the same opportunities to obtain and maintain employment with us.

We regularly review our recruitment processes to address any barriers to access and inclusion in employment. For employees with existing or emerging disabilities, we work with them and their health professionals to support their work and contribution to the OAG.

In our annual DAIP progress report to the Disability Services Commission, we reported on 23 strategies across 7 outcomes, all of which have been implemented, and 6 of which rated as highly effective. We also present this information to employees and Executive regularly.

Strategies

Outcome 1	<p>Ensure people with disability have an opportunity to comment on access to services.</p> <p>Monitor and redevelop an Access and Inclusion Policy to support equitable access to services.</p> <p>Incorporate DAIP objectives in strategic business planning, budgeting processes, procedures and policies.</p> <p>Ensure employees awareness of our DAIP, relevant policies and strategies.</p> <p>Ensure accessibility to events conducted by, or on behalf of the OAG.</p>	<p>Employee awareness raising of disability, access issues and relevant legislation through regular professional development.</p> <p>Ensure client service skills for people with disability.</p> <p>Raise new employees awareness of disability, access issues and relevant legislation.</p>
Outcome 2	<p>Ensure office accessibility is maintained to meet legislative and access standards.</p> <p>Ensure signage is clear and easy to read.</p> <p>Information access options are available.</p> <p>Parking – close to public transport, parking and taxi stands.</p>	<p>Ensure accessibility of OAG's referral system and policy.</p> <p>Ensure employee capability to support complaints from people with disability.</p>
Outcome 3	<p>Community awareness of information availability in alternative formats upon request.</p> <p>Improve employee awareness of:</p> <ul style="list-style-type: none"> • accessible information needs • obtaining information in other formats. <p>Ensure specialist support is available at meetings when requested.</p> <p>Ensure web page design incorporates W3C Web Content Accessibility guidelines.</p> <p>Office receptionists are adequately trained in client service for people with disability.</p> <p>Ensure printed information accessibility for people with disability.</p>	<p>People with disability have the same opportunities as other people to participate in any public consultation we may carry out.</p> <p>Ensure public consultation processes are available to people with disability, their families and carers.</p> <p>Employment processes are open, transparent and free from bias.</p> <p>Employee needs are assessed and met for episodic and long-term disability.</p>
Outcome 4	<p>People with disability receive the same level and quality of service from our employees as other people.</p>	
Outcome 5	<p>People with disability have the same opportunities as other people to make complaints to the OAG.</p>	
Outcome 6	<p>People with disability have the same opportunities as other people to participate in any public consultation we may carry out.</p>	
Outcome 7	<p>People with disability have the same opportunities as other people to obtain and maintain employment with a public authority.</p>	

Table 29: Disability Access and Inclusion Plan 2017-2021

Compliance with public sector standards and ethical codes

Our policies and procedures are designed to meet compliance requirements of public sector standards, public sector code of ethics and public sector standards in human resource management. Our Code of Conduct specifies the standards of employee behaviour considered directly relevant to our unique role and responsibilities. Additionally, our audit employees must adhere to the professional standards required of auditors.

We inform our employees of these standards and requirements at their induction into the Office; publish all documents on our intranet; and present regular information updates for all employees.

Our Human Resources (HR) team provides consultancy and support services in relation to the public sector human resource standards, particularly in recruitment and selection processes, through panel membership, specialist advice and guidance. All applicant correspondence includes details on accessing 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.

Records management

In compliance with the *State Records Act 2000* our Recordkeeping Plan provides an accurate reflection of our recordkeeping systems, disposal programs, policies and procedures. It is currently under review and will be completed by December 2018. The plan acknowledges our responsibility to ensure all employees are aware of their compliance responsibilities and provided with training in these areas.

We run mandatory e-learning courses in Recordkeeping Awareness and instructor-led information management systems training. These courses are now integrated with our HR system making planning for refresher courses more efficient. Once a year, we also run a specialised graduate training program, educating graduates on their recordkeeping responsibilities and how to use our information systems to ensure compliance.

Over the year, our Information Management team received 1,088 internal ServiceDesk requests, which they resolved in a timely manner. We also received and processed 92 new requests for access to our portal from audited entities to download or upload information. By using ServiceDesk we are able to track and report on common issues and implement any required changes to systems. The data also helps us provide focused training sessions, for specific user groups or individuals, on issues or emerging topics.

To complement our formal instructor-led training on recordkeeping requirements, employees have access to interactive online multimedia training presentations, video demonstrations and quick reference guidebooks. Our mix of formal, informal and self-guided training packages has proven to be both effective and appreciated by employees. We regularly review training and support programs to ensure compliance with the *State Records Act 2000*.

Government policy requirements

Occupational safety and health and injury management

Occupational safety and health (OSH) is a priority at all times, in all circumstances. We are committed to providing and maintaining a safe and healthy work environment and are fortunate that our employees work in a low risk environment. We do not take this for granted and all employees receive online OSH training.

We have designated and trained OSH safety officers and all of our practices comply with our legislative responsibilities under the *Occupational Safety and Health Act 1984*, *Workers' Compensation and Injury Management Act 1981* and all policy requirements in Western Australia.

We had 1 OSH incident this year and achieved the target of 80% of managers trained in their OSH responsibilities.

Measure	Actual results		Target
	2015-16 ¹	2017-18 ²	
Number of fatalities	0	0	0
Lost time injury and/or diseases incident rate	0	1	0 or 10% reduction ³
Lost time injury and/or disease severity rate	0	1	0 or 10% reduction ³
Percentage of injured workers returned to work:			
i. within 13 weeks	NA	i. 100%	Greater than or equal to 80%
ii. within 26 weeks			
Percentage of managers trained in occupational safety, health and injury management responsibilities	90%	85%	Greater than or equal to 80%

Table 30: Our OSH performance in 2017-18 against targets

1. This indicator examines a 3-year trend and as such the comparison base is to be 2 years prior to the current reporting period (2015-16).
2. The current reporting year is 2017-18.
3. The reduction may be calculated over a 3-year period.

Statement of commitment

The OAG is committed to ensuring the health and wellbeing of employees, visitors and contractors by providing a safe workplace, eliminating hazards that could result in injury or disease and implementing initiatives to improve employee welfare.

The Office will do this by:

- implementing and maintaining safe systems of work
- undertaking risk management activities to identify, eliminate and/or manage risks in the workplace
- providing and maintaining safe systems for the use, handling, storage and transportation of plant, equipment and hazardous substances
- consulting with employees to enhance the effectiveness of the OSH Management System
- providing all employees with appropriate OSH training, information, instruction and supervision
- providing adequate resources including finances to facilitate our OSH responsibilities
- complying with OSH legislation, regulations and relevant Australian standards.

Accountability

Auditor General

The Auditor General has responsibility for the implementation and review of our OSH policy; delegation of OSH management responsibilities; and the provision and allocation of appropriate resources.

Executive Management

The Executive Management Group has responsibility for ensuring their areas of responsibility are compliant with relevant legislation, regulations, standards and OSH plans and policies.

Assistant Auditor General Business Services will ensure:

- sufficient resources are available to meet the OAG's OSH commitment
- safe systems of work are implemented and used
- OSH issues are addressed as they arise
- OSH consultative and communication mechanisms are established
- appropriate resources are available to meet the OAG's OSH responsibilities
- compliance with relevant OSH legislation regulations and standards
- all employees undertake the required OSH induction training.

Supervisors and managers will:

- ensure work area(s) are without risk to employees' health and safety
- ensure all employees adhere to OSH policies and safe work procedures
- ensure all hazards and incidents are reported in accordance with legislative requirements; and timely corrective actions are implemented
- ensure resources are available to meet the OAG's OSH responsibilities
- ensure their areas of responsibility comply with relevant OSH legislation, regulations and standards.

Employees

All employees are responsible for ensuring their work area is without risk to the health and safety of themselves and others; they complete their work in the safest manner possible; they adhere to OSH policies and procedures; hazards and incidents are reported as they are identified; and they complete all training in OSH as required.

Visitors and contractors

Visitors and contractors to the Office should take reasonable care to protect the safety and health of themselves and others. They should report all accidents and incidents to security or supervisors as soon as possible and in the event of an emergency follow the emergency evacuation procedures.

Contractors are required to comply with all applicable legislation and the Office's OSH policies and procedures; are responsible for taking reasonable care while on our premises and cooperating with actions taken to protect the health and safety of themselves and others.

Strategic goals

Table 31 shows our annual strategic goals, targets and indicative results for OSH and injury management performance.

Outcome	Deliverable	Target	2017-18 Indicative Results*
Systems of work: The Office of the Auditor General will have systems, policies, procedures and practices that ensure the health and well-being of employees, visitors and contractors.			
1. effective OHS System	<ul style="list-style-type: none"> system records incidents and accidents and is fit for purpose 	<ul style="list-style-type: none"> 100% incidents and accidents recorded for analysis 100% incidents and accidents addressed 	<ul style="list-style-type: none"> 100% incidents and accidents were recorded for analysis 100% incidents and accidents were addressed
2. appropriate policies, procedures and plans	<ul style="list-style-type: none"> review policies, procedures and plans 	<ul style="list-style-type: none"> all reviewed biennially + at need 	<ul style="list-style-type: none"> 100% relevant policies, procedures and plans were reviewed as required
Consultation, communication and training: The Office of the Auditor General will involve employees in OSH to ensure mutual commitment and understanding of workplace health and wellbeing.			
3. engaged Office Consultative Committee	<ul style="list-style-type: none"> regular meetings of representative members 	<ul style="list-style-type: none"> quarterly scheduled + at need 	<ul style="list-style-type: none"> quarterly meetings held
4. notifications through regular communication channels	<ul style="list-style-type: none"> PD Day sessions, Intranet announcements 	<ul style="list-style-type: none"> at least quarterly notices 	<ul style="list-style-type: none"> notices published regularly – at least quarterly
5. employee awareness and training	<ul style="list-style-type: none"> OSH Awareness training for employees OSH for supervisors and managers 	<ul style="list-style-type: none"> 100% of employees trained appropriately for role(s) 	<ul style="list-style-type: none"> 80% of employees trained
6. ergonomic employee set-ups	<ul style="list-style-type: none"> better practice ergonomic practices 	<ul style="list-style-type: none"> 100% new employee preventative assessments specialist assessments as required 	<ul style="list-style-type: none"> 100% new employees assessed 49 assessments conducted as intensive one-off
7. visitor and contractor safety	<ul style="list-style-type: none"> visitors and contractors supervised for OSH and managed for evacuations 	<ul style="list-style-type: none"> 100% visitors and contractors supervised for OSH and managed for evacuations 	<ul style="list-style-type: none"> 100% visitors and contractors supervised for OSH and managed for evacuations
Compliance: The Office of the Auditor General will ensure compliance with relevant legislation, regulations and standards.			
8. reporting compliance	<ul style="list-style-type: none"> reporting to ARMC reporting to PSC and PSLR 	<ul style="list-style-type: none"> quarterly ARMC reports bi-annual and annual mandatory reporting 	<ul style="list-style-type: none"> quarterly ARMC reports delivered mandatory reporting delivered
9. safe and hazard free workplace	<ul style="list-style-type: none"> workplace hazard inspections 	<ul style="list-style-type: none"> annual inspections 	<ul style="list-style-type: none"> annual inspection conducted
10. appropriate resourcing	<ul style="list-style-type: none"> assessment and provision of resources 	<ul style="list-style-type: none"> quarterly assessment of and for resourcing 	<ul style="list-style-type: none"> assessment conducted

Table 31: Our annual strategic goals, targets and results for OSH and injury management performance

* Executive approved the OAG OSH and injury management statement of commitment and annual strategic goals in July 2018. However, we are able to provide indicative results against these new goals as we have maintained a long term commitment to OSH and injury management. We will report on these goals annually.

Appendix 1: Our strategic plan

The Executive Management Group (Executive) endorsed our Strategic Plan in February 2016. The new Auditor General and our Executive team are working towards a full review of our existing Strategic Plan (page 23) to take into account evolving priorities for the OAG. This includes the 2018-19 activities highlighted throughout this report. We are aiming to have completed this review by the end of 2018.

Our people – motivated, innovative, collaborative, accountable, valued, skilled, knowledgeable	
Outcomes	Strategies
An appropriately skilled workforce capable of meeting current and future business needs	<ul style="list-style-type: none"> • Maintain an environment where learning opportunities are readily available; employees actively pursue learning; and acquired learning can be applied • Maintain a meaningful employee performance review process • Ensure flexible and adaptive recruitment, contracting and employment arrangements to match work skills with demand
High performing people who contribute to strategic objectives	<ul style="list-style-type: none"> • Invest in organisational capability that will give the OAG a long-term benefit • Empower staff to complete all of their responsibilities on an audit or business project • Encourage innovation and acknowledge staff for being innovative in their approach
A work environment that is recognised as a workplace of choice	<ul style="list-style-type: none"> • Assist staff wishing to undertake relevant further studies • Provide opportunities for professional growth within the OAG • Provide national and international secondment opportunities • Ensure a safe and healthy working environment

Our products – value for money, timely, relevant, accurate, quality, innovative

Outcomes	Strategies
Timely, relevant and quality reports on public sector performance and accountability	<ul style="list-style-type: none"> • Table reports on time and on budget
Value for money reporting that addresses issues of public interest	<ul style="list-style-type: none"> • Use benchmarking to ensure audit costs reflect value for money • Produce reports that are considered valuable and relevant to Parliament • Ensure that the right audit product (broad scope/narrow scope/AGBA) is selected to achieve value for money
Reports and opinions that lead to improved public sector performance and accountability	<ul style="list-style-type: none"> • Include consideration of topics important to Parliament and agencies when developing forward audit program • Ensure clearly articulated and accessible report findings and recommendations

Our tools – robust, efficient, user-friendly, flexible, agile, reliant, compliant

Outcomes	Strategies
Efficient, effective and responsive business operations that meet current and emerging needs	<ul style="list-style-type: none"> • Work within a framework and governance structure which is current and effective • Respond effectively to changes in our environment by maintaining a strategic focus • Maintain an appropriate and effective approach to risk management • Ensure accurate and reliable technical advice is available
Sound information systems that support operational needs	<ul style="list-style-type: none"> • Ensure IT systems are efficient, effective and supported • 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	<ul style="list-style-type: none"> • Maintain a strong, sound and transparent financial management approach • Use accurate business data that informs management decision-making • Continuously improve our processes to ensure quality and compliance of internal financial management practices
Audit methodology tools are current, reliable and compliant	<ul style="list-style-type: none"> • Ensure our methodology remains current and compliant

Our approach – consistent, fair and balanced, independent, transparent, pragmatic, professional, contemporary

Outcomes	Strategies
Audits completed in accordance with auditing and professional standards	<ul style="list-style-type: none"> • Maintain a contemporary and quality audit approach • All reports to go through the OAG quality framework
Relationships with audit clients professionally managed	<ul style="list-style-type: none"> • Communicate, consult and develop quality relationships with clients
Our reputation for independence, integrity and impartiality is maintained	<ul style="list-style-type: none"> • Further enhance transparency and accountability of our topic selection process and outcomes • Continuously reinforce to staff the OAG principles of independence, integrity and impartiality • Maintain an awareness of the external perception of the OAG
A well informed Parliament and public	<ul style="list-style-type: none"> • Set clear expectations and communicate our role and purpose to Parliament, agencies and the community • Identify and implement strategies to address Parliament's needs and expectations • Prepare for performance and legislative reviews

Appendix 2: Financial audit clients 2017-18

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 Biodiversity, Conservation and Attractions
 Department of Commerce
 Department of Communities
 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 Jobs, Tourism, Science and Innovation
 Department of Justice
 Department of Lands
 Department of Local Government and Communities
 Department of Local Government, Sport and Cultural Activities

Department of Mines and Petroleum
 Department of Mines, Industry Regulation and Safety
 Department of Parks and Wildlife
 Department of Planning
 Department of Planning, Lands and Heritage
 Department of Primary Industry and Regional Development
 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
 Department of Water and Environment Regulation
 Governor's Establishment
 Mental Health Commission
 Office of the Commissioner for Children and Young People

Office of the Director of Public Prosecutions
 Office of Emergency Management
 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
 Western Australian Electoral Commission

Statutory authorities

Agricultural Produce Commission
 Animal Resources Authority
 Botanic Gardens and Parks Authority
 Building and Construction Industry Training Board
 Central Regional TAFE
 Chemistry Centre (WA)
 Child and Adolescent Health Service
 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
 Disability Services Commission
 East Metropolitan Health Service
 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
 Government Employees Superannuation Board
 Great Southern Development Commission
 Health and Disability Services Complaints Office
 Health Support Services
 Heritage Council of Western Australia
 Housing Authority
 Insurance Commission of Western Australia
 Keep Australia Beautiful Council (W.A.)
 Kimberley Development Commission
 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 Health Service
 North Metropolitan TAFE
 North Regional TAFE
 Parliamentary Inspector of the Corruption and Crime Commission
 Peel Development Commission
 Perth Market Authority
 Perth Theatre Trust
 Pilbara Development Commission
 Professional Standards Council
 Public Transport Authority of Western Australia
 Public Trustee
 Quadriplegic Centre Board
 Racing and Wagering Western Australia
 Racing Penalties Appeal Tribunal of Western Australia
 Rottnest Island Authority
 Rural Business Development Corporation
 School Curriculum and Standards Authority
 ScreenWest Inc
 Small Business Development Corporation
 South Metropolitan Health Service
 South Metropolitan TAFE
 South West Development Commission
 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 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
 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

Advara 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
 The University Club of Western Australia Pty Ltd
 UWA Accommodation Services Pty Ltd
 UWA Sort Pty Ltd

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 Act 1986

Albany Cemetery Board
 Bunbury Cemetery Board
 Chowerup Cemetery Board
 Dwellingup Cemetery Board
 Geraldton Cemetery Board
 Kalgoorlie-Boulder Cemetery Board

Port Authorities Act 1999

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
 Water Corporation
 Western Australian Land Authority
 Western Power – Electricity Networks Corporation

Subsidiaries

Vinalco Energy Pty Ltd
 Vinalco Energy Trust

Local Government audits

2017-18

Belmont City
 Brookton Shire
 Bruce Rock Shire
 Bunbury City
 Bunbury-Harvey Regional Council
 Cambridge Town
 Capel Shire
 Cockburn City
 Cottesloe Town
 Cranbrook Shire
 Cue Shire
 Cunderdin Shire
 Dandaragan Shire
 Denmark Shire
 Eastern Metropolitan Regional Council
 Exmouth Shire
 Jerramungup Shire
 Joondalup City
 Kalgoorlie-Boulder City
 Kellerberrin Shire
 Kondinin Shire
 Koorda Shire
 Laverton Shire
 Menzies Shire
 Moora Shire
 Morawa Shire
 Narrogin Shire
 Northampton Shire
 Nungarin Shire
 Perenjori Shire

Perth City
 Pilbara Regional Council
 Ravensthorpe Shire
 Rivers Regional Council
 Rockingham City
 Sandstone Shire
 South Perth City
 Stirling City
 Tammin Shire
 Three Springs Shire
 Wanneroo City
 West Arthur Shire
 Woodanilling Shire
 Wyalkatchem Shire
 Yalgoo Shire
 York Shire

2018-19

Albany City
 Ashburton Shire
 Bassendean Town
 Bayswater City
 Boddington Shire
 Boyup Brook Shire
 Bridgetown-Greenbushes Shire
 Broome Shire
 Busselton City
 Canning City
 Carnamah Shire
 Christmas Island Shire
 Claremont Town
 Cocos (Keeling) Islands Shire
 Coorow Shire

Corrigin Shire
 Cuballing Shire
 Dalwallinu Shire
 Derby-West Kimberley Shire
 Donnybrook-Balingup Shire
 Dowerin Shire
 Dundas Shire
 East Fremantle Town
 Fremantle City
 Gnowangerup Shire
 Goomalling Shire
 Gosnells City
 Greater Geraldton City
 Halls Creek Shire
 Irwin Shire
 Kalamunda Shire
 Karratha City
 Katanning Shire
 Kojonup Shire
 Kulin Shire
 Kwinana City
 Lake Grace Shire
 Meekatharra Shire
 Melville City
 Merredin Shire
 Mingenew Shire
 Mosman Park Town
 Mount Magnet Shire
 Mukinbudin Shire
 Mundaring Shire
 Murchison Regional Vermin Council
 Murchison Shire

Nannup Shire
 Nedlands City
 Northam Shire
 Peppermint Grove Shire
 Pingelly Shire
 Serpentine-Jarrahdale Shire
 Southern Metropolitan Regional Council
 Subiaco City
 Swan City
 Tamala Park Regional Council
 Upper Gascoyne Shire
 Victoria Park Town
 Victoria Plains Shire
 Vincent City
 Wagin Shire
 Western Metropolitan Regional Council
 Westonia Shire
 Wickpin Shire
 Williams Shire

2019-20

Armadale City
 Augusta-Margaret River Shire
 Beverley Shire
 Broomehill-Tambellup Shire
 Carnarvon Shire
 Chapman Valley Shire
 Chittering Shire
 Coolgardie Shire
 Dardanup Shire
 Dumbleyung Shire

Harvey Shire
 Leonora Shire
 Manjimup Shire
 Mindarie Regional Council
 Mount Marshall Shire
 Murray Shire
 Narembeen Shire
 Port Hedland Town
 Shark Bay Shire
 Trayning Shire

2020-21

Collie Shire
 East Pilbara Shire
 Esperance Shire
 Gingin Shire
 Kent Shire
 Mandurah City
 Ngaanyatjaraku Shire
 Plantagenet Shire
 Quairading Shire
 Toodyay Shire
 Wandering Shire
 Waroona Shire
 Wiluna Shire
 Wongan-Ballidu Shire
 Wyndham-East Kimberley Shire
 Yilgarn Shire

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 (AGBA) 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.

Focus area audit are audits which assess how well agencies perform common business practices and related controls. They are carried out as an extension of our annual financial audits.

A **follow-up audit** reviews the extent to which recommendations from the previous performance audit have been implemented, generally 3 to 5 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*.

Over 180 years of audit in Western Australia

The origins of the OAG date back to the first months of settlement of the Swan River colony in 1829. In May, before even landing on shore, Captain Stirling formed '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 or 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 19 Auditors General. The current Auditor General, Caroline Spencer is the first female appointed to the role.

2018	Caroline Spencer
2007	Colin Murphy
1991	Des Pearson
1987	Alan Smith
1982	William Rolston
1975	Alan Tonks
1969	Will Adams
1968	Ormond Boyer
1962	Clifford Press
1954	Constantine Mathea
1945	William Nicholas
1936	Sydney Arnold Taylor
1904	Charles Samuel Toppin
1891	Fred Spencer
1872	Edward Lane Courthope
1846	William Knight
1844	Peter Broun
1832	John Lewis
1831	Captain Mark Currie





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Boab tree outside Broome Court House, which was one of the state sector sites the Auditor General visited when presenting at the Local Government Professionals North West Conference in Broome (page 5)