

# 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
<b>Total</b>	<b>26</b>	<b>20</b>	<b>29</b>	<b>26</b>	<b>27</b>	<b>28</b>	<b>82</b>	<b>75</b>

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.