

# Our approach

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

## Contents

Financial auditing	48
Information systems auditing	51
Performance auditing	52
Opinions on ministerial notifications	56
OAG oversight	56
Working with Parliament	58
Working with our peers and stakeholders	60
Managing feedback and complaints	62
Impact of COVID-19 on our approach	63

## Our highlights...



We received a

**-A**

**rating** from our  
internal auditors



**93%**

of State government  
entities surveyed  
rated our overall  
financial audit quality  
as good or excellent



**89%**

of local government  
entities surveyed value  
our recommendations to  
improve their financial  
management



**97%**

of performance audit  
entities surveyed  
said our auditors  
conducted themselves  
professionally during  
the audit

# Financial auditing

Financial auditing provides independent assurance to Parliament that the annual financial reports of State and local government entities:

- are presented in accordance with Australian Accounting Standards, relevant regulations, instructions and other mandatory professional reporting requirements
- 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 reporting period.

Each year the Auditor General issues:

- For the majority of **State government entities**, most of which operate under the *Financial Management Act 2006*:
  - an opinion on the financial statements of the entity
  - an opinion regarding the financial management-related controls in the entity
  - an opinion on the key performance indicators (KPIs) of the entity and whether they are fairly presented, relevant and appropriate.

Most State government entities are required under the *Financial Management Act 2006* to have their annual reports tabled within 90 days of financial year end.

- For **local government entities**, progressively from 2017-18, an auditor's report on the annual financial report and any other matters required by the local government audit regulations.

Under the *Local Government Act 1995*, local government entities are required to publish their annual reports on their website within 14 days of their council accepting the report.

- For **entities operating under other legislation** an opinion on their financial statements.

You will find an overview of the financial audits undertaken this year on page 68. Appendix 2 (page 136) is a complete list of entities subject to financial audit.

## Working with audit firms

For the 2019-20 financial year, we outsourced about 33% of our financial audit work for State government entities and approximately 85% for local government entities. The Auditor General, or a delegate, signs the audit opinion and is accountable for the work of our contract audit firm partners.

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

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

- partnering with accredited audit firms to develop innovative audit practices
- accessing specialist knowledge or skills we might not have or are 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.

## Surveys of financial audit entities

We aim for continuous improvement and a 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 (conducted by an independent research company) gauges how our employees and contracted audit firms are performing in the key focus areas of audit process, audit reporting and audit value (which includes the value of our financial statement, KPI and information system audits).

For each area, respondents are asked several questions regarding our performance. We have chosen to highlight 2 questions per area. The survey results highlight areas where we can improve.

## State government entities

A total of 99 out of 118 financial audit clients responded to our survey this year, a response rate of 84% (down from 89% last year). The survey results were favourable overall, with 93% of respondents rating the overall audit quality as good or excellent, up from 85% last year. A key driver of the positive rating was the effective communication by our auditors.

The results were particularly positive in relation to our auditors' professionalism and their skills and knowledge. Timeliness is an area in which entities consider we could improve, including communicating any issues to management earlier and minimising delays in the issuing of audit opinions. We value feedback and, as always, examine survey results to consider where we can reasonably make improvements while meeting cost and quality as well as delivery time frames.

Focus area	Indicator	% Agree					
		2015-16	2016-17	2017-18	2018-19	2019-20	
Audit process	The auditors communicated with us effectively	90	88	92	91	93	↑
	The auditors adequately understood our organisation	89	84	89	88	91	↑
Audit reporting	The Auditor General's audit opinion was issued in a timely manner	92	94	94	96	94	↓
	OAG's management letters communicated the audit findings and issues clearly	94	90	93	90	96	↑
Audit value	We value the assurance we obtain from the audit of our statutory financial statements	96	97	99	98	95	↓
	We value the OAG's recommendations to improve the financial management and internal controls of our organisation	96	92	96	97	93	↓

**Table 12: State government entity financial audit survey results of 2 key questions in 3 focus areas**

## Local government entities

A total of 81 out of 98 local government entities responded to our survey (a response rate of 83%, comparable to last year's response rate 82%).

The results were generally positive, and in line with last year, particularly in relation to responsiveness, effective communications and perceived balance and fairness of management letters. Areas where we could improve include appropriate senior staff involvement and timeliness of aspects of the audit.

Focus area	Indicator	2018-19	2019-20
Audit process	The OAG's audit program was undertaken in a timely manner	68	69 ↑
	Audit staff were responsive to our needs	65	82 ↑
Audit reporting	The Auditor General's audit opinion was issued in a timely manner	83	81 ↓
	The management letters clearly communicated the audit findings and issues	93	94 ↑
Audit value	We value the assurance we obtain from the audit of our statutory financial report	96	96 —
	We value the OAG's recommendations to improve the financial management and internal controls of our organisation	93	89 ↓

**Table 13: Local government entity financial audit survey results of 2 questions in 3 focus areas**



## Audit committee chair's forum

We firmly believe that an appropriately established and effective audit committee is vital and cost-effective in assisting entities to fulfil their corporate governance and oversight responsibilities. The importance of audit committees is heightened in times of change, such as we are witnessing in response to COVID-19, where integrity and other risks are elevated. We have engaged closely with entities to actively encourage improvement and build capacity in this area.

In June 2020, we hosted our inaugural Forum for State Audit Committee Chairs. The forum provided a means for almost 100 committee chairs to meet and discuss audit issues and trends we are identifying in our work, and to consider emerging risks affecting public sector entities. The forum included a presentation from the Auditor General, with insights shared by the Deputy Under Treasurer Michael Court and highly regarded independent audit committee chair Frank Cooper AO and a question and answer session.

Attendees were generous in their praise of the forum and were very keen to have similar events in the future. For the moment, we will look to hold them twice a year, as audit committees continue to develop across the sector.

The forum coincided with the launch of our [Western Australian Public Sector Audit Committees Better Practice Guide](#) (page 79). We hope the guide serves as a useful resource for entities in assessing and improving their audit committees for the benefit of the Western Australian community.

# Information systems auditing

Our information systems audits focus on the information technology (IT) environments of public sector entities.

We audit general computer controls (GCC) to determine if they effectively support the confidentiality, integrity and availability of information systems (IS). GCCs include controls over the IT environment, computer operations, access to programs and data, program development and program changes. We use the results of our GCC work to inform our capability assessments of entities. These audits support our financial audit and controls opinions.

We have developed a model that uses accepted industry good practice as the basis for assessing the maturity of the IT controls an entity has established. The model provides a benchmark for entity performance and a means for comparing results from year-to-year.

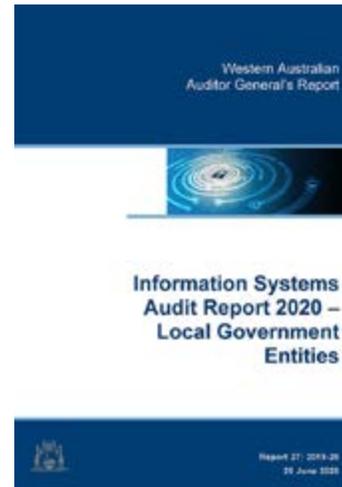
Our IS audit work is a very important part of our audit program as it reveals common weaknesses that can seriously affect the operations of government and potentially compromise sensitive information held by entities. Our IS audit reports contain recommendations that address these common weaknesses and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



Figure 14: Our inaugural Audit Committee Chairs Forum



## First local government IS audit



This year we tabled our [first local government IS audit report](#) (page 79) since the proclamation of the *Local Government Amendment (Auditing) Act 2017*. It summarised the results of the 10 sampled local government entities and included a security gap analysis that benchmarked security practices against a globally recognised standard. The standard

provides useful guidance on how entities can address weaknesses and risks to their information security. While local government entities differ in the size and scale, it is critical that they all have effective controls to manage information systems.

It also includes better practice guidance to assist public sector entities to manage and address technical vulnerabilities. We will continue to develop better practice guidance to help the public sector perform efficiently and effectively.



## Forensic auditing

In December 2019, following a request from the Treasurer to the Auditor General, the State Government announced the OAG would receive additional funding to conduct targeted forensic audits of entities' contract management and systems, supported by data analytics. This funding allowed for the establishment of our new Forensic Audit business unit.

This expanded function of our office is an important extension to the type of public audit to what we have done previously, and what is done elsewhere in Australia. In March 2020, Glyn Lewis was appointed Assistant Auditor General Forensic Audit. He joins us on a placement from the Australian Federal Police to assist in establishing the function.

The work of the Forensic Audit unit is already well underway with the team providing assistance to our other audit units, responding to referrals of potential wrongdoing and consulting with other key State and Commonwealth entities to determine the most effective ways of detecting financial crime and misappropriation in the WA public sector. The team is also in the process of piloting a data analytics solution that will be used to build data analytic capability across the office and allow us to better detect unusual activity in the public sector for further examination.

## Performance auditing

Performance audits are an integral part of our overall program of audit and assurance for Parliament. Our performance audits assess the efficiency and effectiveness of State and local government entities' 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 in accordance with section 18 of the *Auditor General Act 2006* and the Australian Standard on Assurance Engagement ASAE 3500 *Performance Engagements*. We also undertake smaller performance audits called focus area audits. We conduct these as an extension of our annual financial audits, using more detailed testing than is required for forming our financial audit opinions. Our aim is to assess how well entities perform common business practices and related controls. The findings provide an insight into good practice, so all public sector entities can consider their own performance.

On occasions, we conduct follow-up performance audits to examine an entity's progress in implementing our recommendations from a previous report. These audits provide Parliament with an assessment of changes that have occurred as a result of the initial audit.

In our performance audits we now require entities to explicitly accept or disagree with the recommendations of our reports and specify a timeframe for implementation. This is to increase transparency and accountability for Parliament as it is not good enough to simply accept the findings, it is vital that timely action is also taken to address shortcomings in public administration.

Responsibility for following up our audit recommendations lies with the accountable authority, management and audit committee of each entity. Parliament's Public Accounts Committee also has a key role in following up entity action on our reports (page 59).

Summaries of our reports tabled in 2019-20 are included from page 71.

## Surveys of performance audit entities

For each performance report we table in Parliament, we invite the entities involved to complete a survey. Conducted by an independent research company they are based on 3 focus areas: audit process, audit reporting and audit value. For each focus area respondents are asked several questions regarding our performance. We have chosen key questions per area to show our performance.

The survey response rate this year was 79%, which is significantly down from 94% last year. This could be due to COVID-19 and the resulting disruption and additional workload which may have impacted entities' ability to complete our survey.

Overall, the 2019-20 results were very positive and an improvement on prior years. We achieved strong results for the report clearly communicating the findings and issues, auditors' professional skills and knowledge, and effective communication, which is pleasing as this was an area we identified for improvement last year.

The results declined for the auditors' understanding of the audited environment. This is disappointing as it was identified last year as an area requiring consideration. We use the results of these surveys to identify areas where we may need additional effort or training, and we continue to view secondment opportunities for employees as a way to enhance their understanding of operating environments across the sector.

Focus area	Indicator	% Agree				
		2015-16	2016-17	2017-18	2018-19	2019-20
Audit process	The auditors communicated with us effectively	81	85	85	76	88 ↑
	We were promptly informed of significant issues/findings as they arose during the audit	73	73	78	72	78 ↑
	The auditors adequately understood our organisation, including our operating environment	58	44	63	52	43 ↓
	The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit	78	80	74	72	81 ↑
	The auditors conducted themselves professionally during the audit	93	93	96	93	97 ↑
Audit reporting	We were provided with adequate opportunities to comment on the audit findings and issues before the final report was tabled in Parliament	81	78	85	86	90 ↑
	The tabled audit report communicated the audit findings and issues clearly	85	83	70	66	87 ↑
	The tabled audit report was factually accurate	81	71	56	68	77 ↑
Audit value	The tabled audit report was balanced and fair	73	71	67	64	77 ↑
	The audit will help us improve the performance of the audited activity	74	75	63	79	83 ↑

Table 14: Performance audit survey results of key questions in 3 focus areas



## Using data analytics

### [Access to State-Managed Adult Mental Health Services](#)

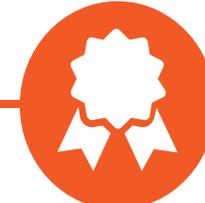
### [An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017](#)

We are focussed on enhancing our use of large scale data analytics across our audit works. This mental health performance audit involved a significant investment to undertake analysis of large and complex data sets. The audit assessed whether people could access adult State-managed mental health services efficiently and effectively.

In the early stages of the audit, we found that neither the Mental Health Commission nor WA Health could tell us how many adults accessed public mental health care services in WA. While they had data indicating that 4.8 million individual care events took place over a 5-year period, they were unable to confirm how many people this figure represented or whether these people were accessing the most appropriate form of service.

In order to answer these questions we undertook a unique major data analysis exercise to turn the event-based data into people-centred information. It allowed us to show, for the first time in WA, that the 4.8 million care events were taken up by 212,000 people. We were also able to provide further insights like 10% of these people used 90% of inpatient hospital care and almost 50% of emergency and community treatment services.

We provided our data model to WA Health for their continued use. In response to our audit, the Department of Health said they saw 'enormous value' in our data set and the benefits it could bring to identifying patient needs. They have since enhanced the dataset to support more detailed clinical planning and analysis, and are establishing an analysts group to support system wide mental health planning. This is an example of how we have adapted our auditing approach to maximise the impact of our work for the benefits of the WA community.



## IMPACT awards

We won 2 categories in the inaugural Australasian Council of Auditors General IMPACT awards which recognise the achievements of Australia and New Zealand's most outstanding performance audits and the teams that developed them.

Our [Access to State-Managed Adult Mental Health Services](#) audit won the innovation category and our [Improving Aboriginal Children's Ear Health](#) audit the communication category. The third award for excellence was won by the Victorian Auditor-General's Office for their audit *Recovering and Reprocessing Resources from Waste*.



## Performance audit topic selection

Deciding what to audit is a key part of the Auditor General's independence. 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. The Auditor General is not subject to direction from anyone in relation to audit topics, but must have regard to the audit priorities of Parliament as determined by either House of Parliament, the Public Accounts Committee and the Estimates and Financial Operations Committee.

We consult regularly with these committees and other members of Parliament to assist with gathering information on topics we might audit. We also draw topic ideas from other sources including State and local government entities, the 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 and any other considerations that may influence the audit program.

In 2020-21, it is likely that some of our performance audits will focus on providing transparency and assurance around a selection of activities linked to the State's COVID-19 planning, response and recovery measures. Once established, we make our forward audit program topic 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/audit-program](http://www.audit.wa.gov.au/audit-program).

Further detail on our topic selection process is available on [our website](#).

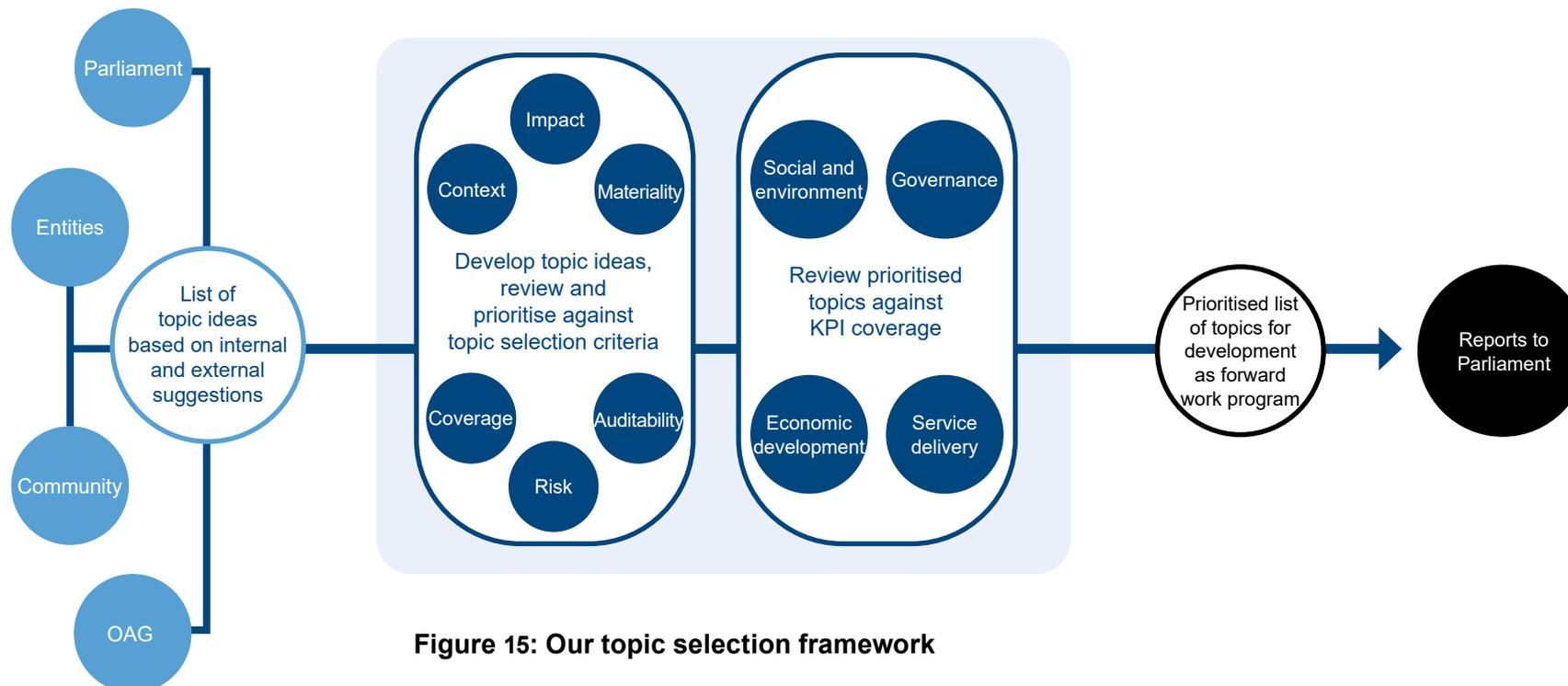


Figure 15: Our topic selection framework

## Opinions on ministerial notifications

When a Minister decides not to provide certain information to Parliament concerning the conduct or operation of a State government entity (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* come into force.

Essentially, the Minister is required to notify the Auditor General of their decision not to provide information 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. A number of ministerial notifications are referred to the OAG each year and this year we received 14. A notification may result in more than 1 opinion, this year we issued 14 opinions. Summaries of the ministerial notification reports we tabled in Parliament are available from page 71.

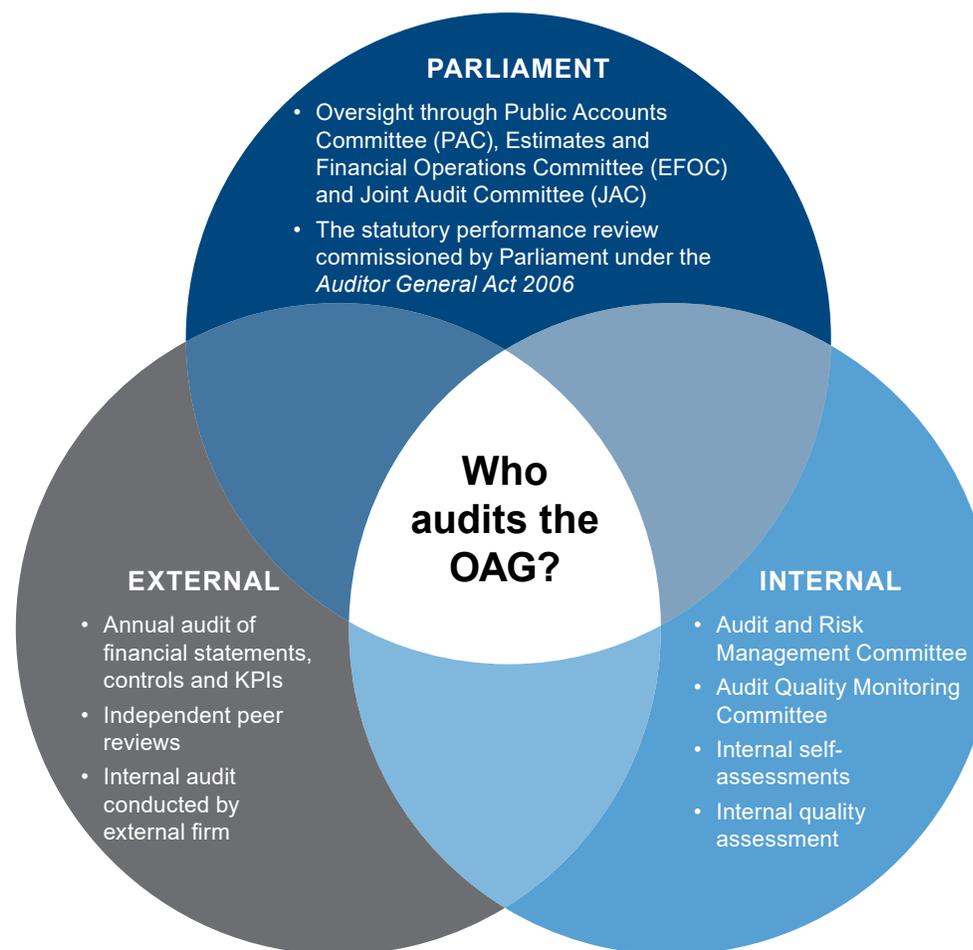
	2015-16	2016-17	2017-18	2018-19	2019-20
Number of ministerial notifications received	10	50 <sup>1</sup>	27	26	14
Being assessed at 30 June	0	0	8	11	9
Total cost for opinions issued	\$232,483	\$527,561	\$393,277	\$483,927	\$365,046
Total hours for opinions issued	1,013	2,174	1,962	2,459	1,360

(1) Includes 41 notifications relating to the same question directed at 41 entities administered by 14 Ministers.

**Table 15: Ministerial notifications received in last 5 years**

## OAG oversight

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 16: Oversight of the OAG**

## Internal audit

Our internal auditors (2020 Global) provided their 2019-20 report on 30 June 2020. This year, 3 key risk areas were audited which were developed in consultation with our Executive and ARMC. 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 -A rating.

The auditors confirmed all outstanding recommendations from prior years were in place and only 3 additional recommendations were raised in the course of the 2019-20 internal audit.

Our strategic internal audit plan also includes projects for which we engage external specialists. This year we engaged an external provider to undertake an external penetration test of our internet-facing information systems.

Overall, the audit found our internet-facing attack surface to be minimal, and no major security vulnerabilities were identified. It identified a small number of lower-severity and good-practice issues which we have addressed to further strengthen our overall security posture. The ARMC has committed to continue penetration testing on an annual basis.

## Self-assessment against our audit reports

Many of the audits we conduct of entities also have relevance to us, especially our focus area audits, as they concentrate on common business practices across the public sector, and our IS audits, which give us the opportunity to assess our internal IS management.

Our intention is always to use these audits as a form of self-assessment of our own internal processes and controls. This enables us to identify and address any improvement opportunities coming out of the reviews.

In February 2020 we reported to Executive our self-assessments against last year's topics (timely payments to suppliers and records management) and have identified controls over purchasing cards and controls of monies held for specific purposes as our next relevant topics for internal assessment.

## Independent reviews

During 2019-20, we organised a peer review of 2 performance audits and an opinion on ministerial notification report. We also engaged independent reviews on 7 audit files from across all business units and 1 in-flight review of a current performance audit. These reviews are important, as they allow us to take stock of where we are at, provide us with continuous improvement opportunities and challenge our approach and thinking.

Last year's peer review of 2 of our financial audit files by the Victorian Auditor-General's Office identified some improvement opportunities. We have actioned the recommendations from these reviews through a combination of written instructions and professional development training sessions.

AQMC monitors the implementation of the recommendations from all independent reviews to ensure the relevant business units take appropriate action to address any significant matters that are identified.



Figure 17: Our Executive Management Group, absent: Glyn Lewis, Assistant Auditor General Forensic (our Executive's profiles are on page 17)

## Working with Parliament

Unlike public sector entities, we do not report to any 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 *Auditor General Act 2006*. 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:

- briefing ministers and parliamentarians on our tabled reports
- briefing our parliamentary oversight committees on our proposed forward audit program, current audits and key operational matters
- briefing new ministers, members of Parliament and parliamentary committees on the role of the Auditor General
- providing submissions to parliamentary inquiries and appearing before committees to give evidence on matters relevant to our remit.

## Parliamentary inquiries

The Public Accounts Committee (PAC) has continued with its follow-up of entity responses to recommendations from our 2016 series of performance audit reports. On 18 June 2020, the Committee tabled a report entitled [Building Slowly](#), which provided a summary of its findings of the Department of Mines, Industry Regulation and Safety's response to our 2016 audit on the [Regulation of Builders and Building Surveyors](#).

PAC's work following-up entity responses to our audit recommendations continues to provide valuable support to our audit work and helps improve the standard of public administration in WA. We will continue to support PAC with its activities in this area when requested and where appropriate, always mindful of the need to work collaboratively, but independently of each other.

We also appeared before and provided information to our oversight committee in the Legislative Council, the Estimates and Financial Operations Committee (EFOC), on several occasions throughout the year to discuss matters including our forward audit program and to provide evidence to their Inquiry into the Government's Local Projects Local Jobs Program.

We have enjoyed strong working relationships with both PAC and EFOC throughout the 3 years of the current parliamentary session and thank them for their ongoing support and scrutiny of our work.

In addition to this work with our oversight committees, we provided information to several other parliamentary committee inquiries including the:

- Legislative Council's Select Committee into Local Government.
- Joint Standing Committee on the Corruption and Crime Commission's inquiry into public sector procurement of goods and services and its vulnerability to corrupt practice

We also briefed the Legislative Assembly's Education and Health Standing Committee on the findings of our audit on [Access to State-Managed Adult Mental Health Services](#).

## Members of Parliament survey

We did not conduct a survey this year, choosing instead to undertake our next survey in August 2020. We have chosen to do this in an attempt to increase our response rate by approaching members at a time that did not coincide with the peak of the community COVID-19 response and outside the normal Budget process. Previously we surveyed members across April and May. We are keen to hear the views of as many members as we can, given they are now 3 years into the current parliamentary session and are likely to have had increasing levels of engagement with our processes and our reports.

While our 2018-19 survey showed a pleasingly high level of overall satisfaction with our reports and services, there were some declines in other indicators including our effectiveness in achieving our outcomes. We will use the 2020-21 survey to better understand the factors behind those results and look forward to using this additional feedback to help frame our ongoing approach. In the interim, we will continue to consult with members, through our briefings and our parliamentary liaison program on matters they think may be worthy of our focus.

# Working with our peers and stakeholders

## 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 provide a collective public sector perspective on auditing, assurance and accounting standards, and exposure drafts issued by the Australian Auditing and Assurance Standards Board, the Australian Accounting Standards Board, and their international equivalents.

We also participate in ACAG's subgroups, which provide mutual benefits and learning opportunities between audit offices. ACAG recently commissioned an updated assessment on Auditor General independence, which was provided to our parliamentary committees.

## Australasian Council of Auditors-General macro benchmarking survey

Each year since 1994, we have participated in the ACAG macro benchmarking exercise. This allows us to compare our activities with other Australian audit offices on a variety of quantitative and qualitative measures.

One benchmark is the time and cost of performance audits. Average costs have been calculated on a consistent basis across participating offices and are calculated from the start date to the parliamentary tabling date. Average time is measured from the date substantive work commenced to the date the report was tabled in Parliament. We also benchmark the percentage of hours for all employees that is charged to audit activities.

Average cost of performance audits	2017-18 (\$'000)	2018-19 (\$'000)	2019-20 (\$'000)
OAG	\$397	\$342	\$352
Average of states and territories	\$368	\$384	\$394

Average time to undertake a performance audit	2017-18 (months)	2018-19 (months)	2019-20 (months)
OAG	10.9	10.4	11.5
Average of states and territories	10.2	12.0	11.1

Percentage of available office hours charged to audit activities	2017-18 (%)	2018-19 (%)	2019-20 (%)
OAG	57	57	58
Average of states and territories	59	58	59

**Table 16: Selected ACAG benchmarking survey results**

We value the insight the benchmarking survey provides in terms of our productivity, cost and resourcing as this process helps us to identify where changes may be needed and where efficiency improvements can be sought.

## Department of Treasury

We regularly engage with the Department of Treasury to discuss financial reporting issues of common interest and those that align closely with our priorities. During the year we liaised with Treasury on proposed publications such as Treasurer's instructions, Treasury circulars, accounting policy guidelines and model annual reports.

We also discussed with Treasury initiatives undertaken by other entities that affect the public sector as a whole including drafts of proposed new accounting standards issued by the Australian Accounting Standards Board and the annual valuation of WA public sector land and buildings by Landgate.

## Department of Local Government, Sport and Cultural Industries

We have regularly engaged with the Department of Local Government, Sport and Cultural Industries as local government entities transition to the OAG as their auditor. This engagement has assisted with our understanding of the sector and informs them about our processes. During the year we liaised with the Department on:

- financial reporting requirements
- training needs for the sector
- our financial and performance audit program.

## 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 identified across many of our audits is poor recordkeeping practices. Through our audit work with entities 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.



## Office of the Auditor General Western Australia



## Managing feedback and complaints

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 the opportunity to submit feedback on current audits or suggest a future audit topic. Information received through these avenues may be examined under the *Auditor General Act 2006* and considered as part of our topic selection process (page 55).

### 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 received through our reception and website 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 endeavour 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 entities to highlight potential issues, while maintaining confidentiality.

In 2019-20, we received 179 referrals, an increase of 49% from last year.

Source of referrals and/or enquiries	2015-16	2016-17	2017-18	2018-19	2019-20
Members of the public	116	79	101	86	147
Member of Parliament or parliamentary committees	17	9	11	7	3
WA State government entities	30	16	11	10	15
WA local governments entities	na*	na*	46	17	14
<b>Total</b>	<b>163</b>	<b>104</b>	<b>169</b>	<b>120</b>	<b>179</b>

\*Referrals and enquiries from local government entities were included in the members of the public figure prior to 2017-18.

**Table 17: Number of referrals and enquiries received 2015-16 to 2019-20**

In 2019-20, we took an average of 4.2 days to respond, an increase from 3 days last year. We responded to 88% of all referrals and enquiries within our working day target of 10 days, which was similar to last year (89%). We will continue to work on improving our timeframes for responding to referrals.

### Public interest disclosures

The *Public Interest Disclosure Act 2003* establishes the Auditor General as the appropriate authority to receive public interest disclosures (PID) that relate to substantial unauthorised or irregular use of, or substantial mismanagement of, public resources.

In 2019-20, we spent 78 hours on PID matters. We assessed 2 matters, neither of which met the PID criteria.

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

## Complaints

We define a complaint as any expression of dissatisfaction made to the OAG about our people, practices, products or services or the complaints handling process itself. We accept that individuals may wish to raise a complaint with us about our services or operations and that these may identify areas where we can improve or prevent potential issues.

Arrangements for enabling people to make complaints are customer focused, visible and accessible. Individuals can lodge a complaint on our website or by email, mail or telephone. Our internal policies and procedures provide guidelines to ensure complaints are handled objectively, fairly and confidentially, and managed in accordance with relevant legislation, guidelines and principles including:

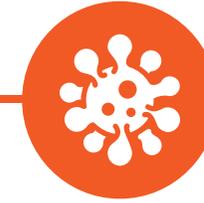
- Public Sector Commissioner’s Circular 2009-27: Complaints Management
- Public Sector Code of Ethics
- Ombudsman Western Australia Guidelines on Complaint Handling.

Table 18 shows that we have received 4 complaints this year, an increase on previous years. The majority of these related to a performance audit and either its processes, scope or findings.

	2015-16	2016-17	2017-18	2018-19	2019-20
Number of complaints	0	1	1	1	4

**Table 18: Number of complaints about the OAG received 2015-16 to 2019-20**

We ensure all complaints and responses are fully documented and assessed for potential ongoing risk and if necessary, the issue may be referred to the ARMC for discussion. Executive are advised of all complaints to enable them to identify opportunities for continuous improvement. AQMC also considers the responses we provide to complainants regarding the quality of our audit work and ensures that we implement opportunities for improvements in future audits.



## Impact of COVID-19 on our approach

We are very aware of the increased pressure placed on public sector entities responding to the pandemic. To help reduce the impact of our audit work, we wrote to entities in late March advising the following changes to our approach:

- we temporarily ceased all performance audits in health and other frontline entities
- our auditors withdrew onsite from entities on request or limited their time at entities, working either from home or from our office which remained open throughout
- we increased our use of technology to collect evidence and for the analysis of financial and performance data
- we reduced the amount and length of audit meetings, and held these via video conference wherever possible
- we worked with entities to identify areas of their financial audit that could be done earlier or later
- we maintained entities’ financial audit fees at the same level as last year, to provide a small element of certainty, for all but a number of higher risk and frontline entities where additional work is required.

We participated in working parties with Treasury and the health sector to ensure that our priority was given to the audit of major entities that are material for the Annual Report on State Finances.

The Auditor General also consulted extensively with entities and provided briefings to the Treasurer and our parliamentary oversight committees about OAG priorities.

## Memories from long-serving employees

*“We used to audit individual police stations, court houses and prisons all over the State. In the early 80s we audited over 100 hospitals. Now we audit the Western Australian Police Force, the Department of Justice and the Department of Health.”*

*“When we started performance audits they were called accountability audits and later, value-for-money audits.”*

*“We used to be known as State Audit and had permanent offices established in the larger departments. Now, all of our auditors have laptops and can work from our office as well as audited entity offices.”*

## Outsourcing to contract audit firms

Outsourcing financial audit work to contract audit firms is an established practice for the OAG. However this wasn't always the case. Former Deputy Auditor General Dr Gordon Robertson PSM said the introduction of the *Financial Administration and Audit Act 1985* completely changed the role of the OAG and called for contracting out audits.

“The old statute meant the Auditor General really just ticked the books and made sure everybody filled the forms out properly. The FAAA gave the AG the power to do things and it meant the scope and power of his position became quite colossal. When the Act came into being, Alan Smith was the AG and he had to initiate some fairly significant changes to the way the office behaved. This included experimenting with contracting out an entire division to Coopers and Lybrand for about three years. He also initiated a corporate executive and a different management style.”



## Follow-the-dollar powers

The *Auditor General Act 2006* gives authority for the OAG to evaluate the way in which government funds are spent by non-government organisations. We tabled our first audit report using these follow-the-dollar powers in 2009 ([Accountability for Government Grants](#)) and continue to use them judiciously today. This year we tabled our [Delivering Western Australia's Ambulance Services – Follow up](#) audit (page 71) using follow-the-dollar powers to evaluate St John Ambulance. While these powers only became law in 2006, the origins date much further back. Section 43 of the *Audit Act 1891* states: 'It shall be the duty of the Auditor General ... to audit the accounts of any municipal corporation, roads board, or other public corporation or institution receiving aid out of the public moneys, when required to do so by the Colonial Secretary'.



## Auditing local government

Local government entities have had many different auditors over the years. In 2017, the Local Government Amendment (Auditing) Act was passed giving the Auditor General responsibility to conduct financial and performance audits of the sector. As the 'State Audit Department', we also had responsibility from 1981 to 1983. Prior to this local government entities were audited by employees of the Department of Local Government and after 1983 they were audited by the private sector.

**190 years**  
of our approach