



# Our tools

Robust, efficient, user-friendly,  
flexible, agile, reliant, compliant

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# Our highlights...



We established the **Audit Quality Monitoring Committee** to focus on monitoring and reviewing the effectiveness of quality control



We reviewed **43** policies that support and promote efficient and effective administration



We assembled our **Crisis Management Team** to support Executive and our people through COVID-19

# Executive Management Group

Our Executive Management Group is our team of senior leaders who assist the Auditor General to govern, plan, manage and lead our business. They set the strategic direction and organisational values that define our activities. Chaired by the Auditor General, they meet monthly and hold informal weekly meetings.

Executive also holds specific strategic planning meetings. They monitor the implementation of our strategies and measure performance against targets. A number of committees with roles in governance, inter-office engagement and employee development provide Executive with strategic, operational and administrative support and advice.

In 2020 the Deputy Auditor General role was also designated as the OAG's Chief Operating Officer. All Assistant Auditors General will now report to the Deputy who will be responsible for overseeing the daily administrative and operational delivery aspects of the Office.

Our Executive team's profiles are on page 17.

## Financial management

We use financial data to monitor and report on our performance and inform our decisions. In addition, budget forecasting and meeting long-term resourcing requirements are key aspects of our strategic planning. 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. In 2019-20 we maintained a robust internal control environment despite disruptions caused by COVID-19.

This year we refined the OAG's budgeting tools and cost allocation methodology leading to enhanced confidence in our resource allocation across the key services we offer. We continued to seek alternative arrangements to replace our 25-year-old finance system seeking to balance fit for purpose with value for money aspects. We anticipate to fully transition to the new finance solution by the end of 2020.

## 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 that meet our compliance requirements.

We formally review each of our policies at least every 2 years undertaking an evaluation and assessment to confirm ongoing usefulness, and taking into account feedback from employees, and changes to legislation or other external environments.

This year we reviewed 43 policies of which 2 were rescinded and 41 were approved by Executive. Employees are informed of policy changes on the intranet and at professional development days.

## Governance

We are committed to achieving and demonstrating good governance. In monitoring and assessing our 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
<b>Principle 1:</b> Government and public sector relationship – the agency's relationship with the government is clear.	We have established a constructive relationship with Government while maintaining the essential independence. We have processes in place to ensure clear communication and interaction between us and members of Parliament and State and local government entities.
<b>Principle 2:</b> Management and oversight – the agency's management has clear oversight and accountability and clearly defined responsibilities.	We maintain a structured oversight process through our governance committees. The committees meet regularly and receive reports on strategic activities and progress towards required actions.
<b>Principle 3:</b> Organisational structure – the agency's structure serves its operations.	The leader of each business unit is a member of Executive, which is responsible for ensuring we achieve our strategic plan outcomes. To reflect emerging priorities we recently made changes to our structure introducing a Forensic Audit and Technical and Audit Support business units.
<b>Principle 4:</b> Operations – the agency plans its operations to achieve its goals.	Each business unit has an annual operational plan that identifies its work program and progress towards initiatives. These plans are key supporting documents for our strategic plan and agreed on by Executive.
<b>Principle 5:</b> Ethics and integrity – ethics and integrity are embedded in the agency's values and operations.	Ethical behaviour and integrity are core values that underpin our work. Our Code of Conduct and professional standards define the high standards we require from our employees.
<b>Principle 6:</b> People – the agency's leadership in people management contributes to individual and organisational achievements.	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. Some strategies we use include a strong learning and professional development program, an annual graduate recruitment program and supporting internal and external secondments.
<b>Principle 7:</b> Finance – the agency safeguards financial integrity and accountability.	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.
<b>Principle 8:</b> Communication – the agency communicates with all parties in a way that is accessible, open and responsive.	Our OAG Communication Strategy identifies key actions and projects we undertake to deliver corporate communications and engage with our stakeholders. We disseminate information efficiently and effectively to ensure stakeholders are well informed, via appropriate channels in a timely manner.
<b>Principle 9:</b> Risk management – the agency identifies and manages its risks.	We have a comprehensive Risk Management Framework, overseen by the Audit and Risk Management Committee. The framework outlines the policies and processes relating to the management of risk and preventative measures to ensure our risk is within acceptable levels. Our organisational and business unit risk registers, including treatment action plans, are updated at least annually or whenever major changes happen.

**Table 10: Good Governance Guide references**

# Audit and Risk Management Committee

## Members

- Des Pearson, Independent Chair, former Auditor General for Western Australia and Victoria, non-executive director various boards
- Jordan Langford-Smith – Acting Assistant Auditor General, Information Systems and Performance Audit
- Kamran Aslam – Senior Director, Information Systems and Performance Audit
- Andrew Harris – Director, Performance Audit
- Kevin Ng – Assistant Director, Forensic Audit

In providing advice and assurance to the Auditor General, the key responsibilities of the committee are to:

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

## Risk management

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 to address them.

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 our operational activities.

Throughout the year we conducted internal reviews of our Risk Management Framework, Risk Register, Fraud and Corruption Control Plan, and Business Continuity Management Program. The findings and recommendations from those reviews were endorsed by the Audit and Risk Management Committee (ARMC) and subsequently approved by Executive and the documents have been updated accordingly.



## Report from the ARMC Chair

The ARMC is an essential part of OAG's governance framework. It provides independent advice and assurance to the Auditor General on activities relating to governance, control, risk management, compliance, systems of internal control, and financial and performance reporting. ARMC supports OAG to instill strong control and risk practices.

While ARMC's functions are diverse, overseeing financial and performance reporting processes, and the associated internal controls, is incredibly important. ARMC report to the Auditor General and Executive immediately following each meeting, including details of action items or requests for further information.

During 2019-20 ARMC:

- met with OAG's internal audit and external audit providers
- revised its and the internal audit charter for currency and relevance, and against the OAG best practice guide and applicable Treasurer's instructions. A small number of minor matters were identified that did not alter the principles but strengthened and clarified the charter
- undertook a committee effectiveness survey that generally identified ARMC is functioning well and noted 4 continuous improvement opportunities which were adopted
- developed a meeting schedule with agenda items to ensure sufficient focus on current and emerging risks
- considered the emerging risks and mitigation strategies for the transition of local government entities and the establishment of the Forensic Audit business unit
- reviewed OAG's approach to managing financial and procedural risks and risks to employees and personal safety during the COVID-19 pandemic as well as receiving regular updates on management's approach to the crisis
- reviewed and recommended minor changes to OAG's Risk Management Framework, risk registers and Fraud and Corruption Control Plan to confirm the risks represented the current environment.

**Des Pearson**

*Independent Chair, Audit and Risk Management Committee*

# Audit Quality Monitoring Committee

## Members

- Sandra Labuschagne – Chair, Deputy Auditor General
- Gareth Govan – Director, Information Systems and Performance Audit
- Andrew Harris – Director, Performance Audit
- Tim Hughes – Principal Adviser
- Efthalia Samaras – Director, Financial Audit

The key responsibilities of the committee are to:

- monitor the system of quality control and provide the Auditor General with reasonable assurance that the OAG complies with the requirements of the auditing standard ASQC1 and, if applicable, ASA 220
- review the efficiency and effectiveness of the OAG’s quality control processes
- enable a collegial and constructive quality control monitoring process that supports continual improvement.

## Quality framework

Quality is one of our values and is fundamentally important to everything we do. At every opportunity we demonstrate and promote our belief that audit quality is more than just meeting professional standards and public sector compliance requirements.

We also established this year the Technical and Audit Support business unit that is fundamental to our quality framework. The unit provides accounting, audit and governance technical advice and supports the Audit Quality Monitoring Committee (AQMC) in its function of monitoring audit quality.

We have a framework that establishes and maintains quality over the audit work we perform. The framework includes a Quality Assurance Plan, which AQMC presented to Executive for approval in January 2020. The plan plays a key role in ensuring our compliance with relevant accounting and assurance standards. Through the activities undertaken we can identify ways to continually improve our approach to auditing and the quality of our products.

During the year we also undertook the following quality assurance activities:

Activity	Purpose
<b>Inspection of in-house engagement files</b>	To ensure a quality audit is performed and continuous improvement opportunities and good practice are identified and shared.
<b>Disclosure review of financial statements</b>	To ensure the quality of public sector financial statements to meet the compliance requirements.
<b>System of quality control</b>	To ensure that the system of quality control is compliant with auditing and assurance standards.
<b>Preapproval of contract audit firms</b>	To ensure the quality of contract audit firms who are able to tender for financial audit work for the OAG.
<b>Review of audit files of contract audit firms</b>	To ensure the quality of contract audit firms who perform audit work on our behalf.

**Table 11: 2019-20 quality assurance activities**



## Report from the AQMC Chair

The AQMC was established in November 2019 to focus on monitoring and reviewing the effectiveness of quality control. In its early meetings AQMC focused on ensuring our system of quality control was compliant with auditing and assurance standards.

This year AQMC commissioned a number of external reviews of our audit quality, including an in-flight review of a performance audit and a review of contract audit firm files for local government audit. AQMC monitors the implementation of review recommendations.

Should the OAG receive any referrals or complaints about audit work, AQMC monitors how these are resolved and ensures that opportunities for improvements in future audits are implemented. AQMC uses the findings from these reviews, as well as public feedback on our reports, to make recommendations for training and development opportunities that will enhance the quality of our work.

For instance, Executive recently asked AQMC to oversee implementation of our new data strategy to ensure the use of data analytics in audit work contributes to the overall audit quality and insights. AQMC aims to work collegially with employees and external reviewers to foster an environment of constructive review and commitment to continual improvement.

**Sandra Labuschagne**

*Chair, Audit Quality Monitoring Committee*

# Information Governance Committee

## Members

- Sandra Labuschagne – Chair, Deputy Auditor General
- Don Cunninghame – Assistant Auditor General, Financial Audit
- Jordan Langford-Smith – Acting Assistant Auditor General, Information Systems and Performance Audit
- Aloha Morrissey – Assistant Auditor General, Performance Audit
- Glyn Lewis – Assistant Auditor General, Forensic Audit
- Patrick Arulsingham – Acting Assistant Auditor General, Technical and Audit Support
- Sadie Godfrey – Assistant Auditor General, Business Services
- Kamran Aslam – Senior Director, Information Systems and Performance Audit
- Michael Cooper – Chief Information Officer

The key responsibilities of the committee are to:

- oversee and monitor the development and delivery of the strategic information technology (IT) plan
- review and endorse proposed major technology-related projects
- review and endorse the IT risk appetite and mitigation strategies
- review and provide recommendations on priorities for technology expenditure
- monitor the performance of information services
- oversee the operational lifecycle of enterprise systems
- review and endorse planned major service changes
- review and monitor policies and standards.



## Report from the IGC Chair

The Information Governance Committee provides focus and oversight, working with our IT team, to ensure our IT is managed in a way that benefits the office and protects its reputation.

During the year, the committee reviewed initiatives focused on improving the office's security posture, while supporting efficiency and ease of use. We prioritised several strategic infrastructure redesigns which will provide a foundation for our future IT systems. The changes will support accelerated maturity of our IT service delivery and business operations through improved governance, workflows and systems.

The committee also provided oversight of the office's continued procurement of a financial audit methodology and whole-of-office audit tool. The office has undertaken market research to gain a better understanding of the audit methodology offerings and aims to transition to a new tool and methodology in phases, starting late 2020.

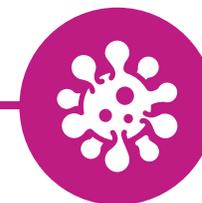
We also endorsed and monitored the IT teams response to COVID-19, ensuring our people were equipped for remote-working.

**Sandra Labuschagne**

*Chair, Information Governance Committee*

## Other committees

- **Performance Audit Methodology User Group** – facilitates feedback about our performance audit methodology to ensure it is appropriate to our needs and operating environment. In 2019-20 the group reviewed and updated the office's Performance Audit Manual to enhance audit quality and ensure our methodology continues to comply with Australian Auditing Standards.
- **Culture Committee** – chaired by the Auditor General, the committee fosters a culture of professional respect, accountability and support, as well as innovation within the OAG and provides advice and recommendations to Executive on improvements to our workplace culture and capability.
- **Office Consultative Committee** – facilitates the efficient and effective conduct of OAG activities by enabling the views of employees to be taken into account in decision-making.
- **Professional Development Committee** – plans and implements the OAG's annual professional development program for employees.
- **Crisis Management Team** – (as required) to implement the Business Continuity Plan and manage the response to any critical incident or disaster.



## Impact of COVID-19 on our tools

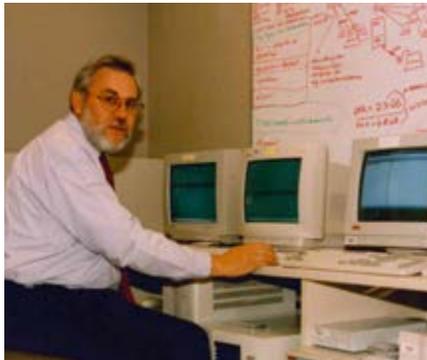
In response to COVID-19, we assembled our Crisis Management Team to support Executive, our employees and stakeholders during these rapidly changing times. Instead of limiting the decision making to only a few members of Executive, the team was expanded to include the full Executive, Director Workforce and Development, Chief Information Officer and Manager Communications. From mid March through May the team met daily to consider the rapidly evolving situation and our response, so disruption to work was minimised and our people were safe and supported. A daily update was emailed to employees and they were encouraged to ask further questions when unsure.

As a workforce accustomed to remote working, we already had good remote access infrastructure and many tools in place to enable our employees to easily transition to working from home. For example, all employees are equipped with a laptop and our auditors have extra assets such as portable monitors and secure large file transfer capacity.

However, we needed other tools to ensure we could continue working efficiently and effectively. We implemented additional secure network connectivity options, developed broadcast text message capability to contact all employees in an emergency, and deployed Microsoft Teams to all OAG devices to enable video conferencing and improved internal and external collaboration.

## Physical tools

The physical tools used by our auditors have changed significantly over the past 190 years. From quills, ink and parchment, to pen and paper, to typewriters and comptometers, to desktop computers and calculators and now to laptops, tablets and smartphones.



## The key to the lottery

Our auditor's tools have also extended to the unlikely, such as the keys to the State lottery barrel. Before Lotto became electronic in WA, the OAG had a role to oversee the lottery draws. Our auditors were responsible for ensuring that the number of marbles in the barrel was correct (100,000) and that the barrel was locked and sealed between draws. When 'scratchies' were introduced, our auditors supervised the second chance draws, checked the winning tickets were valid and announced the winners' names.



## Audit methodology

Auditor General Will Adams saw a need for a manual setting out the role of the Auditor General and training employees on their responsibilities. This first comprehensive operating manual was put together in 1971 under the title *Audit Office Manual – Administration and General Auditing Procedures*.

The office later used a program called ADAPT, which was a methodology and audit program used by one of the big firms and adapted for use in the public sector.

In 2010, we implemented our current financial audit methodology, the Integrated Public Sector Audit Methodology (IPSAM). In our first year of using the methodology we achieved an excellent 99.4% success rate of State government entities' audits by the required deadline.

We are now in the process of sourcing a new financial audit methodology and whole-of-office audit tool to ensure our audit practices remain efficient and fit for purpose in the current public sector operating environment.

## Legislative tools

A number of Acts have governed the work of the Auditor General. The first was the *Audit Act 1881*. It required the Auditor General to conduct a monthly audit of Treasury books, quarterly audit of Treasury's 'statements in detail', quarterly audit of Treasury loan returns, bi-yearly audit of the Treasury 'balance sheet' and produce an annual report of Treasury audits. This included examinations of the individual financial books of various functions including public works, hospitals and police.

This Act was followed by the *Constitution Act 1889*, *Audit Act 1891*, *Audit Act 1904*, *Audit Act Amendment Act 1927*, *Financial Administration and Audit Act 1985* and the current *Auditor General Act 2006*, and the *Local Government Amendment (Auditing) Act 2017*.

# 190 years of our tools

