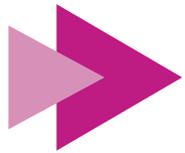


Our approach

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

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Our highlights...



Auditor General commenced 3 year term on the **Australian Accounting Standards Board**



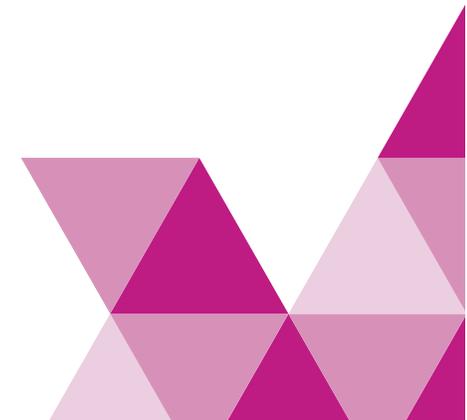
98% of State government entities surveyed said our auditors conducted themselves professionally during the financial audit



65% of performance audit entities surveyed said our auditors understood their organisation, a significant increase from last year



95% of local government entities surveyed said our financial audit management letters were clear



Financial auditing

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

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

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**, an auditor's report on the annual financial report and any other matters required by the local government audit regulations including material matters indicating non-compliance or significant adverse trends in the financial position of the local government.

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 74. Appendix 2 (page 146) is a complete list of entities subject to financial audit this year.

Working with audit firms

We value our strong relationship with our contract audit firm delivery partners. For the 2020-21 financial year, we outsourced about 24% of our financial audit work for State government entities and approximately 83% 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 deliver surge capacity during our busiest periods
- accessing specialist knowledge or skills we might not have or are costly to maintain
- learning from accredited audit firms to improve and benchmark our audit processes, quality and reporting, and overall cost effectiveness and innovation
- auditor quality, value and rotation are maintained through our ongoing firm pre-qualification, tendering, file review and quality oversight arrangements.

Surveys of financial audit entities

We offer all audited entities the opportunity to provide feedback on 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).

The survey is conducted by an independent research company and highlights areas where we can improve and key areas for us to sustain operations. We appreciate all considered feedback as it helps us better assess and improve our service delivery.

State government entities

A total of 85 out of 111 financial audit clients responded to our survey this year, a response rate of 77% (down from 84% last year). Although favourable overall, with results above 80% in all areas, it is a decline across most indices in comparison to last year. The decline is driven by a reduction in strong agreement rather than a sharp dissatisfaction rating. We have consistently seen high ratings for the value of our assurance of financial audit statements and the professionalism and knowledge of our auditors. We will be working to sustain these results.

Less favourable feedback relating to management letters being balanced and fair, the timeliness of issuing management letters and disagreement with audit approach/audit scope have been noted as opportunities for improvement. Some of this may reflect the impact of OAG employee shortages as our hiring was interrupted, especially from interstate and international border closures, and other pressures on the Office and the sector from the focus and disruption of COVID-19.

Focus area	Indicator	% Agree				
		2016-17	2017-18	2018-19	2019-20	2020-21
Audit process	The auditors conducted themselves professionally during the audit	96	97	96	97	98
	The auditors were responsive to our needs	88	89	90	91	82
Audit reporting	The OAG's management letters communicated the audit findings and issues clearly	90	93	90	96	89
	The Auditor-General's audit opinion was issued in a timely manner	94	94	96	94	87
Audit value	We value the assurance we obtain from the audit of our statutory financial statements	97	99	98	95	94
	We value the Office's recommendations to improve the financial management and internal controls of our organisation	91	96	98	93	89

Table 11: State government entity financial audit survey results of 2 key questions in 3 focus areas

Local government entities

A total of 85 out of 117 local government entities responded to our survey (a response rate of 73%, considerably down on last year's response rate 83%).

Although responses were generally positive, the results were less favourable than those in 2019-20. Audit value remains our highest performance indicator while timeliness is an area for improvement. We recognise that delays this year were in part due to late changes to the Local Government (Financial Management) Regulations 1996. While this was beyond our control and is not anticipated to happen again in the near future, we will be working with entities to ensure the audit process is as efficient as possible.

Focus area	Indicator	% Agree	
		2019-20	2020-21
Audit process	The OAG's audit program was undertaken in a timely manner	69	45 ↓
	Audit staff were responsive to our needs	82	80 ↓
Audit reporting	The Auditor General's audit opinion was issued in a timely manner	81	71 ↓
	The management letters clearly communicated the audit findings and issues	94	95 ↑
Audit value	We value the assurance we obtain from the audit of our statutory financial report	96	87 ↓
	We value the OAG's recommendations to improve the financial management and internal controls of our organisation	89	84 ↓

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



New post-season review

This year we introduced a post-season review of local government financial audit. With a further 20 new local government entities transitioning to our financial audit responsibility and the impact of changes to the Local Government (Financial Management) Regulations 1996 (page 66), we received a lot of feedback on our fees, audit timeliness and process. As part of our review, we considered this external feedback along with survey responses and internal feedback. We have identified strategies to implement for the next audit season to address concerns and shortcomings, starting with increasing face-to-face communication with local government entities by attending their zone and branch meetings. The review process was reflective of an established process we have for performance audits.

Information systems auditing

Our information systems audits focus on the information technology (IT) environments of public sector entities. Information systems (IS) underpin most aspects of government operations and service delivery.

Each year we audit the general computer controls (GCC) of a sample of entities to determine if they effectively support the confidentiality, integrity and availability of their information systems. GCCs include controls over the IT environment, computer operations, access to programs and data, program development and program changes. Findings from these audits inform 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.



Forensic auditing

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

Over the past year, Forensic Audit has established a multidisciplinary team and is building methods to identify indicators of fraud and corruption within entities and conduct targeted and in-depth analysis. The team, built through internal transfers and external hires, includes forensic and financial auditors, and data analytics and intelligence specialists.

Our examinations are conducted under section 18 of the *Auditor General Act 2006* with suspected instances of misconduct and/or fraud referred back to the entity for further review and action, as well as to the Corruption and Crime Commission, WA Police Force or Public Sector Commission as appropriate.

We have commissioned an independent review of the establishment of our Forensic Audit business unit, engaging experienced professionals to assess our early approach against best practice. We have asked reviewers to consider the effectiveness of our initial processes and procedures, intelligence capture and analysis, technical infrastructure needs, skills mix and strategic plans. As well as providing assurance to our Executive team, the review will allow us to provide comfort to Parliament and the community of the rigour of our approach and demonstrate our commitment to continuous review and improvement.





How our Forensic Audit team works

Our Forensic Audit team works independently and with other OAG business units to conduct in-depth analysis to identify transaction anomalies that could indicate fraud or corruption. Where this work leads to a reasonable suspicion of misconduct by public officers, referrals to the Corruption and Crime Commission, Public Sector Commission or WA Police Force will be made. Where we identify vulnerabilities to, or instances of, fraud or corruption we will engage with the entity to help improve its fraud and corruption resilience. Matters of significance arising from our forensic audit work will be reported at least annually to Parliament as appropriate. We are committed to sharing the learnings and tools from these forensic audits to build fraud resilience across the public sector.

To efficiently target our examinations, we need to be intelligence-led and risk-driven. Following an external review of our intelligence function, we are implementing a framework that will identify existing and emerging areas of high fraud risk in the public sector. The intelligence team will use internal and external information, including previous audit results, entity controls and culture, and public and private sector fraud activity to identify entities and activities vulnerable to fraud and misconduct. Specific intelligence products will inform risk assessment and audit selection.

Data analytics will underpin our forensic audit activities. Our data analytics team will contribute to intelligence gathering and assessment, help scope forensic audits and support audit conduct through dedicated analysis and tests on data sets. Data comes in many forms, from various systems and with different information structures each time. Our team identifies and extracts data from entities, connects the data sets around common items and then tests for highly probable exceptions (HPEs). These HPE tests are designed around known fraud methodologies, which evolve over time.

Forensic auditors will review and understand entity control environments and operations to identify vulnerabilities, work with our data analytics team on identifying and testing data sets relevant to those vulnerabilities and use their audit skills to review HPEs and make a judgement about whether they are indicators or instances of fraud and the next steps to improve entity resilience. The results of our examinations and sharing our methods will, over time, help entities to build fraud resilience and reduce their vulnerability to wrongdoing.

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 because of the initial audit.

In our performance audit reports we require entities to explicitly agree or disagree with recommendations and timeframe. 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 63).

Summaries of our reports tabled in 2020-21 are included from page 77.



Focus on the State's COVID-19 response

This year our audit program included a focus on the State's COVID-19 response. While responsiveness is critically important in such circumstances, sudden or rapid implementation of government programs presents a heightened risk environment for inefficiency, waste, fraud, declining quality of services and unintended impacts on citizens' lives. These outcomes can result from rushed planning, abandonment of normal consultation and decision-making forums, and a failure to properly evaluate programs. As such, we audited and tabled reports in Parliament on WA Health's COVID-19 response preparedness, the status of public testing systems, governance of the COVID-19 Relief Fund, and application of temporary procurement changes prompted by the pandemic by entities.

This focus will continue into next year with audits already in progress on the roll-out of State stimulus initiatives and the administration of financial hardship support offered by local government entities to people adversely impacted by COVID-19.

Surveys of performance audit entities

For each performance report we table in Parliament, we invite audited entities to participate in a survey. These are conducted by an independent research company and concentrate on 3 focus areas: audit process, audit reporting and audit value. Entities are asked several questions relating to the priority areas and we use the results to identify key drivers to improve our performance.

In 2020-21, the performance audit survey response rate was 77%. Three rounds were conducted throughout the year, where 37 entities provided feedback to the OAG. Overall, results were positive, achieving strong results for audit process, especially regarding auditor professionalism. Substantial improvement was seen in our auditors adequately understanding the subject matter being audited as this was an area of concern in previous years.

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				
		2016-17	2017-18	2018-19	2019-20	2020-21
Audit process	The auditors communicated with us effectively	85	85	76	88	84 ↓
	We were promptly informed of significant issues/findings as they arose during the audit	73	78	72	78	75 ↓
	The auditors adequately understood our organisation, including our operating environment	44	63	52	43	65 ↑
	The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit	80	74	72	81	81 —
	The auditors conducted themselves professionally during the audit	93	96	93	97	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	78	85	86	90	94 ↑
	The tabled audit report communicated the audit findings and issues clearly	83	70	66	87	86 ↓
	The tabled audit report was factually accurate	71	56	68	77	73 ↓
Audit value	The tabled audit report was balanced and fair	71	67	64	77	75 ↓
	The audit will help us improve the performance of the audited activity	75	63	79	83	64 ↓

Table 13: Performance audit survey results of key questions in 3 focus areas

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 Standing Committee on Estimates and Financial Operations.

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, whistleblowers, other audit offices and our employees.

We assess and review potential topics against our criteria, priority themes and report category KPIs. We aim to select a program that is balanced in its coverage, contains topics that matter to Parliament and the community, and reflects how and where the State is spending taxpayer's money. We also ensure potential audits fit appropriately within the Auditor General's legislative mandate and are not duplicative of, or better suited to, review by other bodies, including other integrity agencies.

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. When an audit begins, we update the audit program on our website and include the audit objective, focus and timeframes, at www.audit.wa.gov.au/audit-program.

Further detail on our topic selection process is available on our website.

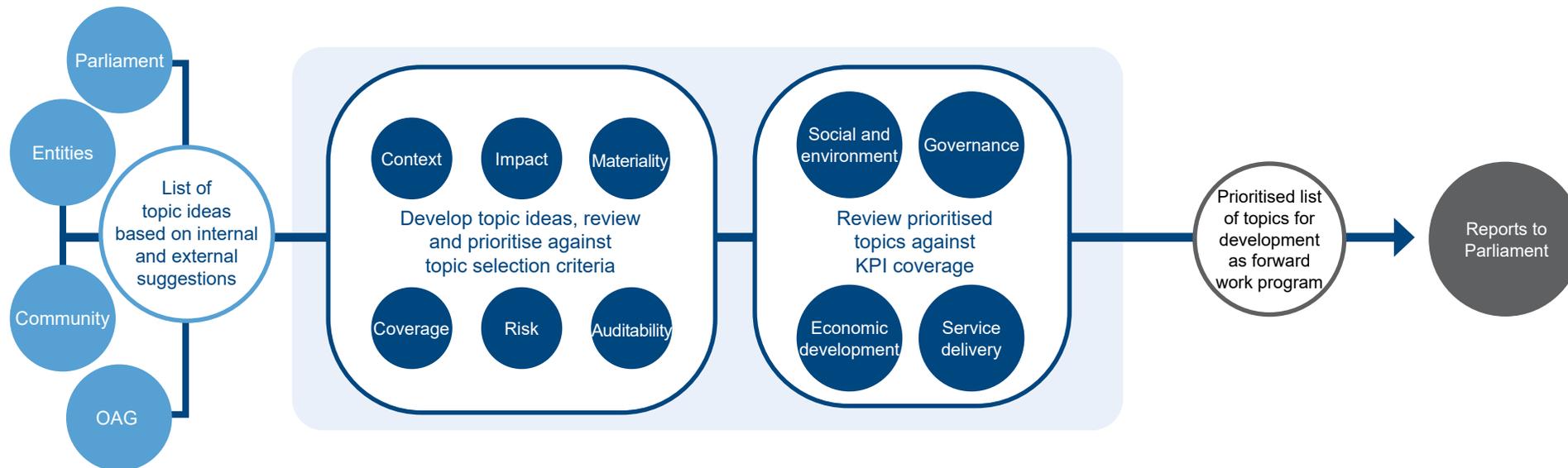


Figure 11: Our topic selection framework

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 4. A notification may result in more than 1 opinion. This year we issued 12 opinions, 1 disclaimer and 2 instances where no opinion was required. Summaries of the ministerial notification reports we tabled in Parliament are available from page 77.

	Pre 2010-11 ¹	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Number of ministerial notifications received	49	2	2	0	4	13	10	23	27	27	14	4	175
Number of parliamentary questions included in notices received	60	2	3	0	7	14	10	50	27	27	14	4	218
Number of opinions tabled	61	2	3	0	5	11	11	55	19	20	12	12	211
reasonable	57	0	3	0	3	8	7	8	11	15	8	9	129
not reasonable	4	2	0	0	2	3	4	47	8	5	4	3	82
An opinion could not be/was not provided	0	0	0	0	0	0	3	1	3	4	4	3	18
Being assessed at June 2021												1	1
Total cost for opinions tabled (\$'000)	-	89	18	0	47	136	232	528	393	484	365	487	2,779
Total hours for opinions tabled ²	-	391	102	0	212	655	1,013	2,174	1,962	2,459	1,360	2,702	13,030

¹ The number of notifications received and reasonable opinions issued pre 2010-11 may exceed the actual by 10. The possible overlap has not been resolved because of limited records.

² Excludes Auditor General and Deputy Auditor General hours as they are tracked by broader assurance and non assurance categories.

Note: Ministerial notifications have been reported in previous years as matters not notices, so some figures may differ to those previously reported.

Table 14: Ministerial notifications received by OAG

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.

Internal audit

Historically, we have conducted our internal audit program between April and June each year. In 2021, we developed an Internal Audit Plan that considered operational capacity, as several major projects were being delivered during the usual audit program timeline. This resulted in a more dispersed approach to the audit program.

Six internal audits are scheduled for completion in 2021, some of which commenced prior to 30 June but were not planned to be completed before the end of the financial year. These audits are focused on project management, financial controls, cost allocation and information governance.

Next year, we will use our updated risk management framework which aligns with our assurance practices and 4 lines of defence model, to inform our internal audit program. This will allow us to better identify high consequence risks with critical controls and ensure they are being evaluated for effectiveness.

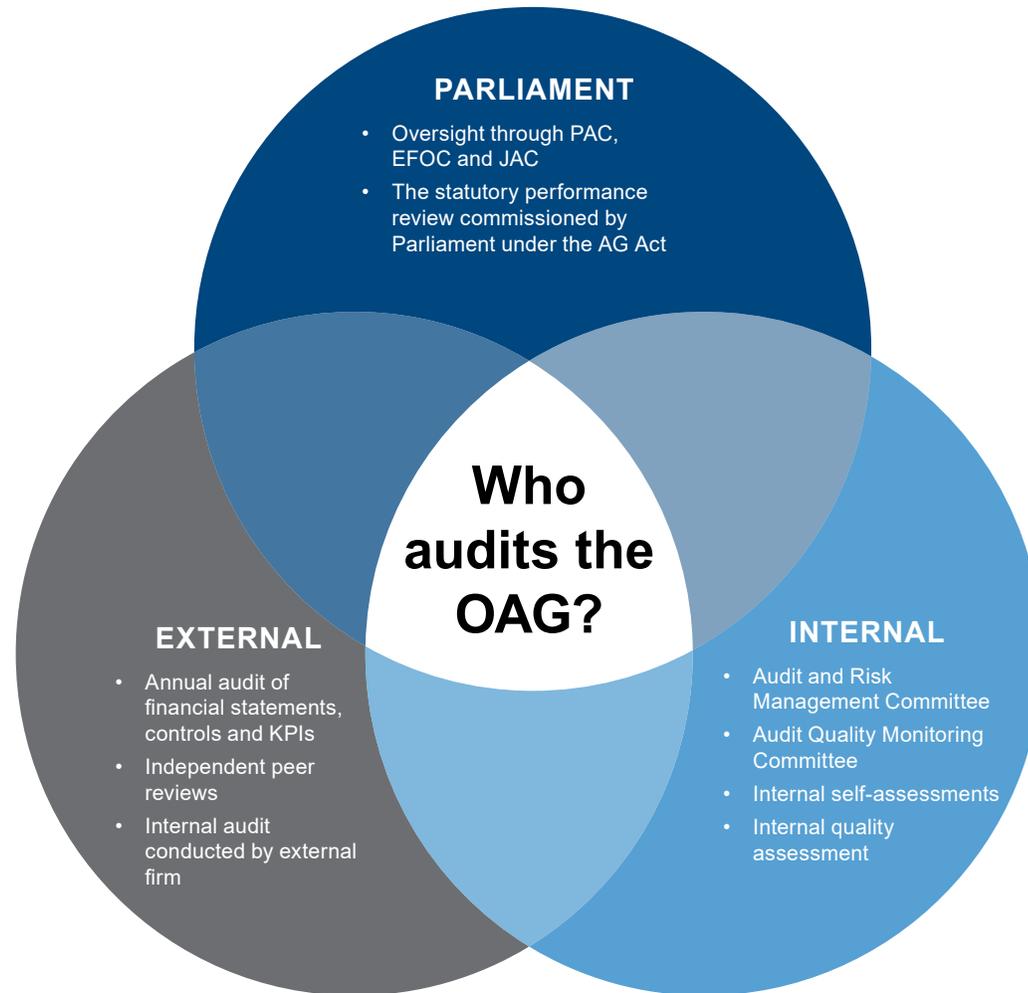


Figure 12: Oversight of the OAG

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 2021, we planned to conduct 4 self-assessments including 2 focus area audits relating to purchasing cards and contract extensions, 1 performance audit relating to staff exit controls, and the biennial State Supply Commission audit.

The 2 focus area audit self-assessments have been completed with the other assessments to be delivered later in the year. Findings were identified in both these audits and new or enhanced controls are being considered or implemented. We expect to close out all findings in 2021.

Independent reviews

Our Audit Quality Monitoring Committee (AQMC) develop an annual Quality Assurance Plan. In 2021, the AQMC selected 1 information systems performance audit, 1 performance audit and 5 financial audit files for cold (post-finalisation) review. An inflight review of a focus area audit was also selected. These quality reviews were assigned to external providers, both of whom highlighted their satisfaction with the cooperation and professionalism of our teams.

Eleven recommendations were identified, some of which have already been closed out, with the remainder being considered by the relevant Assistant Auditor General. 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.

Unfortunately, due to border and travel restrictions, the Australasian Council of Auditors-General peer review that was planned for 2021 has not been scheduled. We are currently investigating alternative options for completing this, as these reviews provide us with continuous improvement opportunities and challenge our approach and thinking.



Figure 13: Cadet induction



Figure 14: Parliament House

Working with Parliament

Unlike public sector entities, we do not report to or through 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

Our interactions with committees were limited throughout the reporting period with Parliament not sitting between December 2020 and May 2021, during which time the 40th session concluded and the State election was held.

We enjoyed productive and positive working relationships with both the Legislative Assembly's Public Accounts Committee (PAC) and the Legislative Council's Standing Committee on Estimates and Financial Operations (EFOC) throughout the entirety of the 40th session of Parliament. In its final months, PAC tabled its 5th [report](#) on actions entities were taking in response to recommendations in our performance audit reports. The Committee's omnibus report considered entity responses to 34 OAG reports tabled between 2015 and 2018. It was pleasing to note the sentiments of the outgoing PAC Chair, Dr Tony Buti MLA, who noted in his foreword that the Committee and OAG 'have demonstrated a shared commitment towards improving the quality of public administration'.

We were also very pleased to interact on several occasions with the EFOC in its final months, both via an appearance before the Committee and in written correspondence to assist the Committee with its critical function of scrutinising annual reports and Budget estimates. The Committee's interest in our operations and audit program was a constant source of assurance and accountability.

Even though the 41st Parliament is still in its early stages, we have been fortunate to have already met with the new members of PAC and EFOC to brief them on our role and activities. We look forward to establishing similarly collaborative relationships with both committees over the next 4 years.

As with the previous session of Parliament, we remain available to assist other committees where our work is relevant to their lines of inquiry. One such committee we supported in the previous Parliament was the Select Committee into Local Government, which tabled its

comprehensive final [report](#) in September 2020. Included among the Committee's suite of recommendations are ideas aimed at easing the reporting burden we currently see with many local government entities. It was encouraging to observe the Committee's conclusion that our 'involvement in the local government sector has been positive'.

Members of Parliament survey

We conducted our biennial survey of parliamentarians in the second half of 2020 and received responses from 24 members. This equates to an overall response rate of 25%, which was down slightly from our previous survey in the 2018-2019 reporting year.

General perceptions of the OAG remained positive and increased in some areas. However, overall satisfaction with reports and services declined to 85% from 95%. Readership and use of OAG reports declined to 63% from 72% in 2018-2019, although those who did engage with our reports rated the quality of the reports substantially higher than in the previous survey.

We also received ratings of 100% for our responsiveness and the extent to which our advice or information met the needs of enquiring members.

One of the main suggestions for improvement was a call from some respondents for greater engagement with parliamentarians when deciding audit topics. In response, we are already liaising with the new PAC and EFOC to discuss ways to facilitate greater feedback on our audit program from across the Parliament. Next financial year includes delivery of a workshop for new Members of Parliament on the role of the OAG and the ways in which they can use our reports to inform their work within the Parliament and their local community.

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.

Australasian Council of Auditors-General macro benchmarking survey

We have participated in the ACAG macro benchmarking exercise each year since 1994. This allows us to compare our operations with other Australian audit offices on a variety of quantitative and qualitative measures, and with our own performance over time.

The time and cost of performance audits is an example of an ACAG benchmark measure. Calculated consistently across all participating offices, from commencement date to the tabling date, the average time our office takes to table a performance audit is below the state and territory average. This is also reflected in the average cost of our performance audit reports. This reflects the number of short, sharp, limited assurance reviews on the COVID-19 preparedness and response we completed this year.

Average time to undertake a performance audit	2018-19 (months)	2019-20 (months)	2020-21 (months)
OAG	10.4	11.5	10.2
Average of states and territories	12.0	11.1	12.2

Average cost of performance audits	2018-19 (\$'000)	2019-20 (\$'000)	2020-21 (\$'000)
OAG	\$342	\$352	\$328
Average of states and territories	\$384	\$394	\$366

Percentage of available office hours charged to audit activities	2018-19 (%)	2019-20 (%)	2020-21 (%)
OAG	57	58	55
Average of states and territories	58	59	59

Table 15: Selected ACAG benchmarking survey results

Insights from the benchmarking inform opportunities in terms of our productivity, cost and resourcing. It assists us with identifying 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, and presented during its chief financial officer online forum.

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

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.

We will also liaise, and support as appropriate, the Department to address the findings of our audit report on the support and regulation of the sector (page 83). The role of the Department as a central agency for the sector is essential to building strong foundations for an accountable, efficient and effective local government sector.





Changes to the Local Government (Financial Management) Regulations 1996

Changes to accounting standards and other financial reporting requirements can have a significant impact on entities in terms of implementation effort and resources. Therefore, early notification and planning is important for a smooth reporting and auditing season.

During the 2019 audit season, we advised the Department of Local Government, Sport and Cultural Industries that there had been a change to the financial reporting (accounting) standards that would impact the 2020 year. We asked whether it had considered the impact of the change on local government entities' reporting of assets, and the possibility of amending the Local Government (Financial Management) Regulations 1996 (FM Regulations) to reduce the reporting requirements relating to the change.

The Department did not commence formal consultation with the sector, through the Western Australian Local Government Association and LG Professionals WA, about proposed changes to the FM Regulations until 12 August 2020, after the end of the relevant financial year. LG Professionals WA asked the OAG to explain the proposed changes and how they might apply to local government 2019-20 financial statements at a webinar. We also prepared documentation to assist local government entities understand the issues and facilitate discussion.

The changes to the FM Regulations were gazetted on 6 November 2020, some 4 months after the end of the financial year, which affected the finalisation of financial statements for approximately half of the sector, and the timely issuing of OAG auditor's reports. At the time we issued a position paper to provide guidance to local government entities on the application of the changes to the FM Regulations.

While we are working actively to support enhanced financial management and capability across the local government sector, the level of OAG involvement required to progress this particular financial framework matter was surprising, and excessive for the independent auditor. The momentum and action on this should more appropriately have been driven by the central policy agency for the sector, the Department, as part of the regulation and support role for which it is mandated and funded. We made recommendations to this effect in our performance audit on the support and regulation of the local government sector (page 83).

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.



New role on the Australian Accounting Standards Board

In January 2021, the Auditor General commenced a 3 year term on the Australian Accounting Standards Board. The non-remunerated role will allow the Auditor General to provide a balanced public sector perspective for the Board's deliberations, contributing to the development of practical accounting standards that will in turn further enhance WA public sector reporting and accountability.



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's office. We manage all feedback, suggestions and concerns in a way that demonstrates our values of integrity, quality and service.

Our website includes information on how to contact us and provides the opportunity to submit a referral, provide 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 58).

Referrals

Referrals can be an early warning of issues relating to performance, probity and compliance within the public sector. We record all referrals received through our reception and website in our intelligence database, where we collate information from a wide variety of sources on issues across the public sector. This information is very useful to monitor trends across the public sector to identify areas of concerns or entities that may require additional audit scrutiny.

Given the substantial number of public referrals we receive on a variety of topics, we prioritise performance audit topic selection towards systemic issues rather than one-off issues affecting an individual. If the issue is outside our mandate, we endeavour to redirect concerns 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 bodies to highlight potential issues.

In November 2020, we reviewed our Referrals and Enquiry Policy and reduced our target of providing a response from 10 working days to 5, unless the matter is complex in which case, we will acknowledge the referral within 5 days and indicate when a response can be expected.

In 2020-21, we received 177 referrals, similar in number to the 179 we received last year. The number of referrals has increased significantly since we assumed responsibility for auditing the local government sector in the 2017-2018 financial year.

Source of referrals and/or enquiries	2016-17	2017-18	2018-19	2019-20	2020-21
Members of the public	79	101	86	147	153
Member of Parliament or parliamentary committees	9	11	7	3	5
WA State government entities	16	11	10	15	11
WA local governments entities	na*	46	17	14	8
Total	104	169	120	179	177

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

Table 16: Number of referrals and enquiries received 2016-17 to 2020-21

In 2020-21, we took an average of 3.1 days to respond to referrals, a decrease from 4.2 days last year. Prior to the policy change in November, we responded to 86% of all referrals and enquiries within the working day target of 10 days, which was a slight decrease on last year (88%). From the policy change, we responded to 82% of referrals within 5 working days. Although the average days to respond has improved, we will continue to work on improving our timeframes to improve the percentage of referrals responded to within our new 5 working day target.

Public interest disclosures

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

In 2020-21, we spent 106 hours on PID matters. We assessed 9 matters, 4 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 and maintain the confidentiality of disclosers (whistleblowers).

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. We ensure all complaints and responses are fully documented and assessed for potential ongoing (systemic) risk. To encourage continuous improvement and learning we report complaints to Executive monthly and if any potential ongoing risk is determined the issue is referred to our Audit and Risk Management Committee.

As part of our quality monitoring framework when a complaint relates to audit quality it is referred to the Audit Quality Monitoring Committee (AQMC). The AQMC may identify potential training needs or changes to internal processes to avoid similar quality issues recurring and to identify opportunities for improvements in future audits.

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 the Public Sector Code of Ethics and Ombudsman Western Australia Guidelines on Complaint Handling.

Table 17 shows that we have received 8 complaints this year, an increase on previous years. The majority of complaints related to local government entity financial audit fees, and timeliness and process. We have fielded ongoing questions around the issue of audit fees during the 4 year transition of all of WA's 148 local governments to our financial audit cycle. We released a [paper](#) explaining the cost-drivers for our financial audit fees, and continue to engage with the sector to discuss ways entities can help reduce audit costs and the efforts we are making to advocate for a reduced reporting burden, particularly among smaller entities.

	2016-17	2017-18	2018-19	2019-20	2020-21
Number of complaints	1	1	1	4	8

Table 17: Number of complaints about the OAG received 2016-17 to 2020-21

Introducing our *Strategic Plan 2021-2025*

Our approach  Demonstrating excellence



Demonstrating excellence

This new pillar, demonstrating excellence, is about leading by example. This includes our approach to auditing and ensuring we have appropriate internal processes that allow us to meet our key performance indicators. We will ensure we meet, if not exceed, the good governance standards that we expect to see in the entities we audit.



What is our objective?

- model exemplary standards in how we undertake our business

How will we do it better?

- streamline and standardise the audit process through robust and fit-for-purpose methodology and tools that comply with applicable standards
- actively identify, validate and implement efficiencies and innovations to our internal control environment
- participate, share and learn from multi-jurisdictional and professional forums
- practice what we preach – good governance underpinned with accurate, timely value-for-money audits

What we do

- strengthen and continuously improve business processes and our performance against key performance metrics

What does success look like?

- recognised as champions of good governance, integrity and probity
- our practices set the benchmark for public sector entities
- audits are delivered on time and on budget
- relatable and impactful reports that focus on serving the public sector and that stakeholders engage with



Demonstrating excellence