



Office of the Auditor General
Western Australia

ANNUAL REPORT

2010-2011

*Excellence in auditing for the
benefit of Western Australians*

This annual report describes the functions and operations of the Office of the Auditor General and presents the audited financial statements and performance indicators for the Office for the year ended 30 June 2011. It is not a report on the results of audits conducted, as this information is tabled in Parliament separately.

This and earlier annual reports are available on our website at www.audit.wa.gov.au.

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THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

**ANNUAL REPORT OF THE OFFICE OF THE AUDITOR
GENERAL FOR THE YEAR ENDED 30 JUNE 2011**

In accordance with section 63, as modified by Schedule 3, of the *Financial Management Act 2006*, I hereby submit to Parliament for its information the Annual Report of the Office of the Auditor General for the year ended 30 June 2011.

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

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

COLIN MURPHY
AUDITOR GENERAL
18 August 2011

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Auditor General's Overview



The very nature of our work, as an independent watchdog agency for this State, means we face new and interesting challenges each year. The ability of my Office to critically review our processes, improve our efficiency and maintain quality in serving the public interest is paramount. It is this ability that has enabled my Office to adapt and evolve to the rising complexities, new challenges and emerging opportunities throughout 2010-11.

This year we again experienced complexities in our work as a result of Royalties for Regions spending, the Federal Government's economic stimulus and social housing packages, as well as some further agency restructures.

We saw significant spending by agencies on projects funded by the Royalties for Regions program and Commonwealth stimulus funding. While no notable control weaknesses over this spending were identified, we will continue to closely monitor this funding to ensure it is appropriately managed and is accurately reported.

Agency restructures continue to present audit challenges for my Office. Each time a new agency is established, or an agency is abolished, it requires significant adjustment to our audit work on financial statements, key performance indicators and controls of these agencies. Continued efforts to ensure these challenges are met is a credit to my auditors.

For a number of years our audits have identified various issues in relation to the Office of Shared Services (OSS) and so I welcomed its recent review. The future arrangements for the OSS will create significant challenges over the next few years for agencies and ultimately for our auditors. We are now preparing for the potential impact this will have on our future audit work.

Continuous improvement

The quality and integrity of our work is of utmost importance to my Office. This year we endorsed our continuous improvement policy, which aims to incorporate improvement into our business processes through the cycle of planning, execution and review. We also introduced a number of initiatives to further strengthen the quality assurance of our audit work.

We went through a number of review processes this year, including two peer reviews of various aspects of our operations by senior staff from other Australian audit offices.

These reviews are an important part of our continuous improvement strategy, providing us with assurance that our processes are effective, efficient and evolving.

Late last year we introduced our new Strategic Plan 2011-2016 and we have now begun to implement the actions from this. It is imperative for our Office to get the strategic direction and desired outcomes right and we have spent much time reviewing our strategic planning and reporting processes. This has been a challenging and rewarding process that has involved much buy-in from employees and much debate among the Corporate Executive. We have already seen some pleasing results arising from our new Strategic Plan, some of which are briefly outlined on pages 12 and 13.

As part of our strategic planning process we conducted a review of our vision and mission statements, resulting in new statements for the Office. There was agreement within the Office that our vision and mission statements needed to better reflect what service we

Auditor General's Overview

deliver, for whose benefit and for what outcome. The resulting statements not only empower our employees to deliver quality audit work that matters, but it also allows anyone unfamiliar with the Office to gain an immediate understanding of who we are, what we do and why. The new statements are:

Vision – *Excellence in auditing for the benefit of Western Australians*

Mission – *To improve public sector performance and accountability by reporting independently to Parliament*

ACAG Biennial Conference

A highlight this year was the Australasian Council of Auditors General (ACAG) Biennial Conference, which my Office hosted at the Perth Convention and Exhibition Centre. Fifteen auditors general, from Australasia, Indonesia and South Africa, were represented at the conference. The ACAG Biennial was held in cooperation with the annual Australasian Council of Public Accounts Committees (ACPAC) conference, which was located at the same venue.

Valuable networking and information sharing opportunities were maximised and I thank the co-hosts of the ACPAC conference, Hon John Kobelke MLA and Hon Giz Watson MLC, for their support in ensuring these opportunities could be delivered for the benefit of all delegates.

Knowledge, experience and information sharing with our local, national and international peers, are important components of our continuous improvement and professional development programs.

I was pleased to be able to provide the delegation from the Audit Board of the Republic of Indonesia with a comprehensive briefing

on key performance indicator and performance auditing. The delegation requested the briefing while they were in Perth for the ACAG conference.

Our relationship with the British Columbia Audit Office also continues to thrive, with another one of our auditors recently departing for a twelve month secondment with their Office.

These relationships are important to us as they offer opportunities to share our expertise and for professional development of the individuals involved and for the Office. We will continue to build and strengthen our international relationships throughout 2011-12.

Financial audits

Late last year we implemented our new financial audit methodology, the Integrated Public Sector Audit Methodology (IPSAM) and this year was the first time we were able to fully utilise this methodology. We achieved an excellent 99.4 per cent success rate in completing the audits of agency financial statements and performance indicator controls in time for ministers to meet the legislated deadline for tabling of annual reports. In total, 201 audit opinions were issued. Five agencies received a qualified opinion.

Overall agencies improved their annual financial reporting, in particular being audit ready at an earlier date. However, there was a 21 per cent increase in financial management and information system control weaknesses reported to management. Assisting management to address these issues will continue to be a major focus for our audit teams.



While in Perth for the 2011 ACAG conference, the Audit Board of the Republic of Indonesia requested a comprehensive briefing from the Auditor General on key performance indicator and performance auditing.

Auditor General's Overview

"In our annual survey of Members of Parliament, 93 per cent of those surveyed said they found the reports and services of my Office useful to Parliament."

Performance audits

Our performance audits provide a comprehensive assessment of government activities to ensure they are efficient and effective. In 2010-11 we completed 15 compliance and performance audits of government activities across the four categories of service delivery, economic development, social and environment and governance. I was disappointed that the number of projects we completed and tabled in 2010-11 was below our target of 18. However, the large number of important audits that are well advanced makes me very optimistic for next year.

Our focus continues to be on delivering reports to Parliament that are useful, relevant and timely in addressing issues critical to the sector and the wider community. In our annual survey of Members of Parliament, 93 per cent of those surveyed said they found the reports and services of my Office useful to Parliament.

PAC – new report follow up process

The Public Accounts Committee (PAC) this year announced a new follow up procedure for our reports. This new procedure aims to use information provided by agencies regarding the findings of our reports, together with a range of selection criteria, to prioritise which reports the Committee will follow up. On completion of this follow up process, PAC will table a report in the Legislative Assembly on agency's progress in implementing the recommendations of our reports.

PAC's briefing to Parliament on the revised process states that *'The revised procedure aims to increase agency accountability and thus improve the effectiveness of AG reports while, at the same time, allowing PAC to follow up on selected reports in more detail, making for more efficient and effective use of Committee resources.'*

The Office has a good working relationship with the Public Accounts Committee and I look forward to assisting the Committee where appropriate in carrying out this new follow up procedure.

Ministerial Notifications

This year I issued another two opinions regarding decisions by two ministers to not provide information to Parliament for reasons of the information being confidential. Last year I issued four such opinions in relation to two ministers. In each case I have found the decisions were not reasonable and therefore inappropriate.

At the invitation of the Premier, I attended Cabinet to discuss this ongoing issue. This dialogue is important in ensuring ministers and agencies understand the importance of the public sector being open and transparent and to understand what constitutes commercial in confidence.

Auditor General's Overview

Managing the office

This year we endorsed a comprehensive Workforce Development Plan, which identifies a number of strategies in the key areas of; data management and utilisation; leadership and management; organisational structure; attraction and retention; and knowledge management. We have already seen a number of improvements to our professional development program and our attraction and recruitment processes.

As part of the Government's office accommodation reforms, the Office will be relocating in December 2011 from Dumas House in West Perth to Albert Facey House in the city centre. Planning for this relocation has required considerable effort and I thank the Building Management and Works Division of the Department of Finance for their assistance in meeting our specific requirements for delivering independent quality audit work to Parliament.

Resourcing the office

The *Auditor General Act 2006* makes provision for a Joint Standing Committee on Audit to make recommendations to the Treasurer regarding our budget, organisational structure and resources.

The committee is yet to be established, so discussions relating to our budget and the efficiency dividend were again held with the Estimates and Financial Operations Committee in the Legislative Council and the Public Accounts Committee in the Legislative Assembly. I appreciate the support of these committees and their willingness to discuss this issue and its implications for the Office.

Growing demands on my Office are a challenge that must be managed. My Office is committed to efficiency in the use of public funds and to pursuing initiatives that will reduce the cost of public sector audit. I was therefore very pleased that, despite the effects of inflation, our initiatives enabled an overall reduction of approximately one per cent in the total fees we charged for our annual audits of agencies' financial statements, controls and key performance indicators.

Acknowledgements

The ability of my employees to willingly adapt and rise to new challenges and complexities in our work needs to be acknowledged. The commitment shown throughout the Office to producing important work that matters to Parliament, the public sector and the community is respected and appreciated.

I also recognise and value the strong working relationship I share with the Integrity Coordinating Group – comprising the Public Sector Commissioner, the Ombudsman, the Corruption and Crime Commissioner and the Information Commissioner.

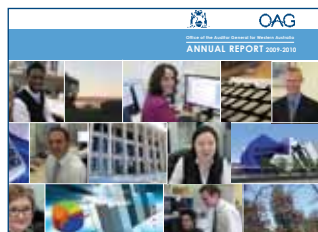
Finally, I thank our key clients – the Parliament of Western Australia and within it the Public Accounts Committee and the Estimates and Financial Operations Committee – for their continued support and cooperation throughout the year.



COLIN MUPHY
AUDITOR GENERAL

"My Office is committed to efficiency in the use of public funds and to pursuing initiatives that will reduce the cost of public sector audit."

Highlights 2010-11



Our annual report won the WS Lonnie Award for Excellence in Annual Reporting. Colin Murphy accepted the award from the Governor, His Excellency Ken Michael.

New vision and mission statements

Following extensive internal consultation, the Office this year adopted a new vision and mission statement, which more accurately reflects the role of the Office and of the Auditor General.

Vision – *Excellence in auditing for the benefit of Western Australians*

Mission – *To improve public sector performance and accountability by reporting independently to Parliament*

Annual Report Awards

The Western Australian division of the Institute of Public Administration Australia (IPAA) conducts the WS Lonnie Awards for Excellence in Annual Reporting each year. Every annual report across government is automatically entered into these awards.

As an agency that values transparency, accountability and accurate reporting, we are delighted that our 2009-10 Annual Report won several awards, including:

- best annual report for the year
- best annual report in the general government sector
- gold award for excellence in accountability and annual reporting in our category
- a special commendation for the Award for Good Governance.

This report also received a silver award in the Australasian Reporting Awards (ARA), which is open to all private and public sector organisations across Australasia. The ARAs allow us to benchmark our annual report against world's best practice criteria and as such we are very proud to have received this recognition.

Business Practice Audits – financial and management controls

Government agencies are required to maintain a financial and management control environment in accordance with specific policies and government regulations. As an Office committed to continuous improvement we were keen to find a way of reporting on these common activities of agencies that would enable Parliament to efficiently gain the information they need on agency performance. As a result the Office has introduced a new form of 'across government audits' that will benchmark and report performance in areas of fundamental business practice. This style of reporting will raise awareness of common weaknesses and lead to improved performance.

CPA Recognised Employer Program – WA first

The Office of the Auditor General has been acknowledged by CPA Australia for our commitment to professional development and training by naming the Office as a CPA Recognised Employer under their Recognised Employer Program. The Office is the first organisation in Western Australia to be granted full Recognised Employer Partner Status. This status provides a number of benefits, notably automatic continuing professional development (CPD) recognition for CPA auditors.

Workforce Development Plan

In order to address the ongoing issue of recruitment and retention of skilled professionals, we have implemented a new Workforce Development Plan. This Plan incorporates revised professional development and recruitment strategies, flexible employment practices and knowledge management initiatives. Further information is on page 32.

Highlights 2010-11

Australasian Council of Auditors General (ACAG) Conference

In April, the Office hosted the ACAG Biennial Conference at the Perth Convention and Exhibition Centre. Fifteen auditors general were represented at the conference, including those from Fiji, New Zealand, South Africa, Papua New Guinea, Indonesia, Kiribati and the Solomon Islands. The annual Australasian Council of Public Accounts Committee (ACPAC) conference was held in the same venue, which provided for valuable networking and collaboration opportunities between the delegates. The conference was a resounding success with the attendees able to share valuable information in relation to their experiences, practice and innovation in their specific jurisdictions.

Members of Parliament survey

The Office received positive feedback in its recent survey of Members of Parliament with 91 per cent of the respondents satisfied with our reports and 93 per cent agreeing that services and reports of the Office are useful to Parliament. While the results are slightly down on previous years they are still excellent results. Members of Parliament are the primary stakeholder group for our Office and we are continuing to work closely with them to enhance the value of our reports and to ensure the annual survey results remain positive and any negative trends are promptly addressed. Further information is on page 22.

Report successes

Our audit reports continue to provide public sector agencies with recommendations and opportunities for greater accountability and performance.

Four examples where our work has recently influenced the public sector are:

- our Assistant Auditor General Performance Audit Division gave evidence at the State Coroner's inquest into the electrocution of a young boy in public housing in rural Western Australia. The Coroner requested that we give evidence regarding our 2010 report – *Fitting and Maintaining Safety Devices in Public Housing*
- a Public Sector Commissioner's circular to all agency CEOs in relation to the government's Energy Smart Program, which was based on our 2010 *Energy Smart Government* report
- a Public Sector Commissioner's circular to all agency CEOs in relation to information and internet security, which was based on our 2011 *Information Systems Audit Report*
- a presentation by Chief Justice, The Hon Wayne Martin, titled *Misspent Youth – Opportunities for Juvenile Justice* at the John Curtin Institute of Public Policy, Public Policy Forum in August 2010, heavily referenced our report from three years ago on juvenile justice.



In April 2011, the Office hosted the ACAG Biennial Conference. Fifteen auditors general were represented at the conference, including those from Fiji, New Zealand, South Africa, Papua New Guinea, Indonesia, Kiribati and the Solomon Islands.

Our Office

Our vision

Excellence in auditing for the benefit of Western Australians.

Our mission

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

Who we are

The Auditor General for Western Australia, Mr Colin Murphy, is a statutory officer with responsibility for auditing the state public sector. The Governor appoints the Auditor General for a non-renewable term of 10 years.

The Auditor General reports directly to Parliament and ultimately the people of Western Australia. This independence is the cornerstone of public sector audit and the Auditor General must be free from pressure, influence or interference from any source that may erode that independence.

Mr Murphy is the Accountable Authority and Chief Executive Officer of the Office of the Auditor General, which is a public sector department established to support the Auditor General. Subject to the *Auditor General Act 2006* and other written laws, Mr Murphy has complete discretion in the performance of his functions.

What we do

The Auditor General is responsible for:

- auditing the Annual Report on State Finances
- conducting audits of financial statements, controls and key performance indicators for departments, statutory authorities, tertiary institutions and corporatised public sector entities
- conducting performance audits and compliance, controls and information system audits to ensure there are adequate controls within agencies; compliance with relevant legislation; and, most importantly, efficiency, effectiveness and economy of agency operations or programs
- reporting the results of audits to Parliament in an objective, competent, insightful and timely manner.

The Office of the Auditor General's corporate focus continues to be driven by the public sector environment in which we operate. In 2010–11 we conducted annual financial statement audits of:

- 43 government departments
- 98 statutory authorities
- 15 corporate bodies
- 4 universities, their 8 subsidiaries and 10 state training providers
- 8 entities as requested by the Treasurer, 8 agency subsidiaries and 6 cemetery boards
- the Annual Report on State Finances for whole-of-government.

Information about our tabled reports is available on pages 23 to 31.

Our values

Our operations and professional relationships are built on the foundation of independence exercised with integrity and objectivity. In achieving our purpose of 'serving the public interest', we will act in regard to the following values:

- Integrity – we conduct our business in an independent, professional and ethical manner and take an open, honest and fair approach to our stakeholders
- Quality – we improve the performance of the Office and the public sector by working together to manage our resources, our people and our relationships
- People – we respect and value the contribution of our people and encourage a cooperative approach to how things get done.

Our Office

Enabling legislation

The Auditor General is appointed by the Governor under the *Auditor General Act 2006*.

The Office of the Auditor General is established as a department of the public service under the *Public Sector Management Act 1994*.

As the Accountable Authority, the Auditor General must discharge responsibilities under the *Financial Management Act 2006*.

Key legislation affecting the Office's activities

In performing its functions, the Office complies with the following relevant laws:

- *Auditor General Act 2006*
- *Contaminated Sites Act 2003*
- *Corporations Act 2001*
- *Corporations (Western Australia) Act 1990*
- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transactions Act 2003*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*

- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*

The following laws have some impact on the Office's activities:

- *Constitution Act 1889 and Constitution Acts Amendment Act 1899*
- *Treasurer's Advance Authorisation, Loan and Appropriation Acts and Financial Agreement Acts*
- *Interpretation Act 1984*
- Laws affecting agencies and activities subject to audit by the Auditor General.

Performance management framework

The Office of the Auditor General is an independent watchdog agency of government and is primarily responsible to Parliament. Notwithstanding, we seek to implement sector wide initiatives where we believe our independence is not compromised and it will enhance outcomes associated with our activities.

The Office of the Auditor General's outcome based management framework is consistent with the government goal for financial and economic responsibilities as below:

Government Goal	Outcome	Service
Financial and Economic Responsibility 'Responsibly managing the state's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector'.	An informed Parliament on public sector accountability and performance	Public sector auditing

Table 1

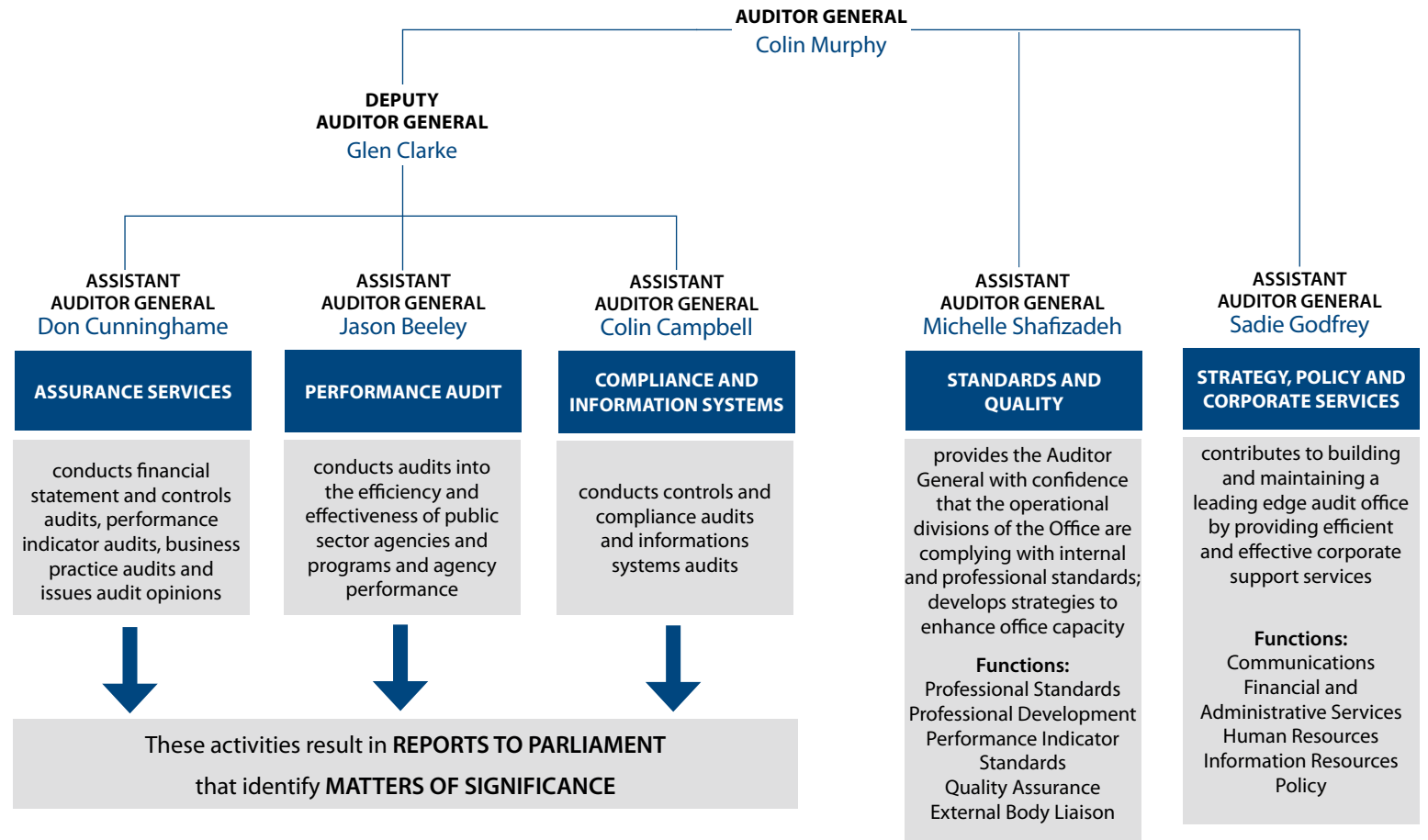
In performing its stated service (public sector auditing), the Office tabled in Parliament:

- *two financial audit results reports*
- *six compliance and controls audits*
- *two information systems audit report*
- *three performance audit reports*
- *two reports containing opinions on two ministerial notifications.*

Our Office

The Office of the Auditor General is made up of five divisions all with the ultimate goal of improving public sector performance and accountability by reporting independently to Parliament.

Organisational and divisional activities chart



Our Office

Senior officers



COLIN MURPHY

BCom, FCPA, FCA, FCIS, PSM.

Colin Murphy was appointed Auditor General for Western

Australia in June 2007. Colin has extensive experience in finance and administration in State and Commonwealth Government roles. He has held senior positions within the State Government in the Departments of Justice, Treasury and Finance, Land Administration and the Building Management Authority. He has also worked for the Commonwealth Department of Finance in Perth and Washington DC and as Business Manager for Murdoch University. Colin is a member of the Australian Auditing and Assurance Standards Board. He is a Fellow, former Board member and Past State President of CPA Australia and a Fellow of Chartered Secretaries Australia and the Institute of Chartered Accountants in Australia. Colin was awarded the Public Service Medal in the 2010 Australia Day Honours.



GLEN CLARKE

BBus, FCPA.

As Deputy Auditor General, Glen is responsible for the three operational audit divisions of the Office

and has worked extensively in all three. He has previously held a senior position in the Commonwealth Department of Veteran's Affairs and is currently the Deputy Chairman of Bizlink, a not-for-profit organisation that assists people with disabilities to obtain open employment.



DON CUNNINGHAME

BCom, FCPA, CISA.

Don joined the Office in 1992 and is a Fellow of CPA Australia and a Certified Information Systems Auditor. He has experience

in finance, internal and external audit and information systems auditing in the public and private sectors.



JASON BEELEY

BA Hons (Oxon), Dip Strategic Studies.

Jason joined the Office in 2006, following five years as a commercial and general manager in the defence and technology

sectors. He previously worked for eight years with the UK National Audit Office in London, conducting and managing value for money studies, mainly of the Ministry of Defence.



COLIN CAMPBELL

BSc Ag Econs, MSc, NRM, GAICD

Colin has a Bachelor of Science in Agricultural Economics and a Masters Degree in Natural Resource Management.

He worked as a Natural Resource Economist before joining the Office in 2002. Colin completed a year long work exchange with the Commissioner for Environment and Sustainable Development within the Canadian Office of the Auditor General in 2006.



MICHELLE SHAFIZADEH

BBus, FCA, Registered Company Auditor.

Michelle joined the Office in 2010. She is a fellow of the Institute of Chartered Accountants and Registered Company

Auditor. Prior to joining the Office, Michelle was a member of the National Assurance Services Technical Division of William Buck Chartered Accountants. Michelle was also a Perth Partner of BDO Chartered Accountants where she was employed for over 14 years. She has extensive experience in external financial audit, corporations law, Australian Stock Exchange, risk management, governance and review of information systems.



SADIE GODFREY

MBA (Curtin), Assoc Dip Bus (Accounting).

Sadie has diverse and extensive experience in corporate management, working in the areas of education and industrial

relations. She was previously Director of Corporate Services at the Department of the Registrar, Western Australian Industrial Relations Commission before joining the Office in 2008.

Our Office

We have already seen some substantial achievements come out of our Strategic Plan 2011-2016.

Each of our five work areas regularly report on their progress to Corporate Executive. This information is made readily available to all employees on our intranet.

Here is a sample of some achievements realised in 2010-11.

Organisational strategies

Building Capacity

Investing in our people, their abilities and the knowledge they hold is vital to the success of our Office. We will build on the experience and further develop the skills of the people in our workforce. Leadership, mentoring and coaching is an important focus. We aim to develop a supportive Office that minimises reliance on individuals.

- Established a buddy system to provide support and mentors for our new graduates.
- Reviewed our professional development program to better target sessions to specific employees.
- Implemented a Workforce Development Plan.
- Implemented 'job swap' between each of our audit divisions as well as our Standards and Quality division to promote cross-skilling.

Protecting the Auditor General's independence and credibility

We know that in order to add value we need to ensure that our work is accepted as both credible and free from influence. We are prepared to stand up to external scrutiny and we will always be looking for opportunities to achieve better practice standards. Demonstrating professionalism in our work with agencies, we will continue to uphold the Auditor General's independence and credibility.

- Established a rotation and supervisory process to ensure our assurance auditors are not perceived to be, or are not in fact, 'too close' to their audit clients.
- A director or associate director from our performance and compliance audit divisions is appointed as a quality control reviewer to independently challenge all our performance and compliance audits.
- Developed a media response database to ensure consistent messaging about the Auditor General's independence.

Meeting the standards we expect of others (internal and external)

Mediocrity is not something we will accept. We are using taxpayer dollars and we aim to give value for money, ensuring cost effectiveness at every step. We not only want to meet the standards we expect of others, but we want to exceed those standards.

- Productivity rates for the time spent conducting audits by each auditor is now included in the regular professional development review process to identify opportunities to operate more efficiently.
- An Office Welcome Pack has been developed for distribution to all new employees, which clearly sets out Office expectations in relation to the work we do.
- Further strengthened our quality assurance program which ensures all our audits are closely scrutinised against the Australian Auditing and Assurance Standards.

Our Office

Shifting effort to things that matter

We are focused on the big issues that really matter to Parliament and the community. We will have the courage to deal with the difficult issues. At every stage of our work we will ask ourselves if we have missed anything and if this is the most efficient and effective way of operating. We will put our time and effort into the things that add value.

- Introduced 'business practice audits' across whole-of-government to benchmark and report agency performance in areas of fundamental business practice.
- A client and stakeholder communication/engagement plan is now incorporated as part of the audit plan that is submitted and approved by the Auditor General.
- Improved our reporting mechanism to Corporate Executive to ensure the appropriate information is provided.
- Developed a process for tracking the progress of strategic plan initiatives.

Adding value to Parliament and client agencies

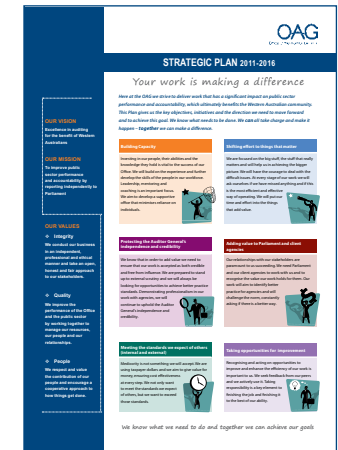
Our relationships with our stakeholders are paramount to us succeeding. We need Parliament and our client agencies to work with us and to recognise the value our work holds for them. Our work will aim to identify better practice for agencies and will challenge the norm, constantly asking if there is a better way.

- Completed training for our audit directors and assistant directors on how to conduct effective entrance interviews when commencing an audit.
- Introduced an exit brief to agency management at the conclusion of all major audits.
- Fortnightly updates are now provided to senior agency staff throughout our performance audits. This is to ensure open communication and to avoid any 'surprises' at the conclusion of an audit.
- Improved the process for extracting data from our resource tracking system, eTrack, to enable reporting to be streamlined and less time consuming.

Taking opportunities for improvement

Recognising and acting on opportunities to improve and enhance the efficiency of our work is important to us. We seek feedback from our peers, clients, staff and Parliament and we actively use it. Taking responsibility is a key element to finishing the job and finishing it to the best of our ability.

- Endorsed a Continuous Improvement policy and introduced a Continuous Improvement register. This includes a process to identify and implement opportunities for improvement.
- Established a 'suggestion box' on the intranet to give staff an avenue to put forward suggestions for improvement or areas of concern.
- Better practice guidelines have been developed within the Finance Branch and the Workforce and Development Unit as a tool to benchmark our performance against.



Our internal Strategic Plan poster displays our six strategic themes and also the vision, mission and values of our Office. Posters like this help to increase visibility of our Strategic Plan throughout the Office and act as a constant reminder of our Office goals.

Significant Issues and Trends



We will be relocating in December 2011 from Dumas House in West Perth to Albert Facey House in the city centre.

Ministerial decisions to not provide information to Parliament

This year the Auditor General issued two opinions regarding decisions by two ministers to not provide information to Parliament for reasons of the information being confidential. The last six opinions, including the two which were issued during 2010-11, have been that the minister's decisions were not reasonable and therefore were not appropriate. In many cases agency advice to ministers was flawed and inadequate. The Auditor General attended Cabinet in April – at the invitation of the Premier – to provide a briefing to ministers on his approach to reaching an opinion on the reasonableness and appropriateness of a minister's decision to not provide information to Parliament about an agency. Information on the 2010-11 opinions can be found on page 29.

Key performance indicator (KPI) reporting

It has now been more than 25 years that Western Australian agencies have been required to publicly report KPIs and the Auditor General has been required to audit them. The Office is currently considering how we can more broadly contribute to KPI developments in WA. Our 2010 audits resulted in qualified opinions on the KPIs of a small number of agencies. We also identified deficiencies at 20 other agencies, mostly relating to data integrity and the use of targets to enable assessment of performance.

Office relocation

As part of the Government's office accommodation reforms, the Office will be relocating in December 2011 from Dumas House in West Perth to Albert Facey House in the city centre. Considerable effort has been made throughout 2010-11 to ensure the specific requirements of our Office are met so we can continue to deliver independent quality audit work to Parliament.

Information security

Our annual Information Systems Audit Report included an assessment of 46 agencies against five general computer control categories: management of IT risks, information security, business continuity, change control and physical security. All 46 agencies had multiple information systems control weaknesses. Most disappointing was the fact that we saw no overall improvement from last year – in fact, 15 per cent of agencies we reviewed last year regressed in at least one area without making any improvements and over 40 per cent of agencies showed no change. This work highlights that agencies often struggle to keep up with constantly changing issues and risks with information technology systems and security. Further information on the 2011 Information Systems Audit Report is on page 30.

Increased performance audit capacity

The Office will receive additional funding of \$250 000 from 2011-12 to increase its performance audit function. The additional funding will result in an increase in performance audit capacity and to this end the Office has commenced the recruitment of additional resources for our Performance Audit Division. Depending on the issues encountered, this should result in an increase in the number of performance audit reports tabled in Parliament.

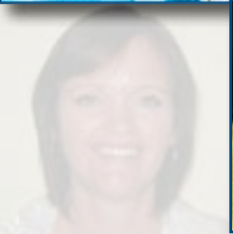
National disaster relief and recovery

The Auditor General has agreed to provide the Commonwealth with an independent assessment of Western Australia's insurance arrangements and access to capital in the event of a natural disaster. This review is a condition of assistance under changes to the National Disaster Relief and Recovery Arrangements. The report is required by 30 September 2011 and at least every three years thereafter.

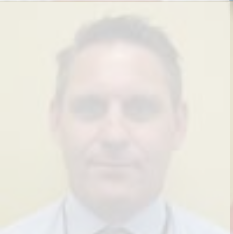
Our Performance



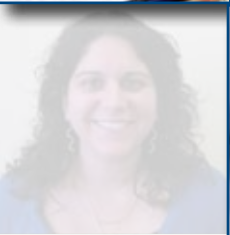
financial performance....pg 16



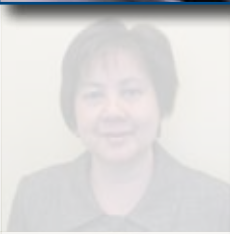
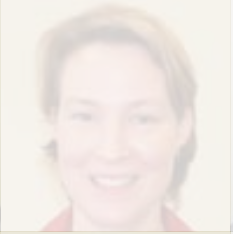
201 audit opinions issued....pg 17



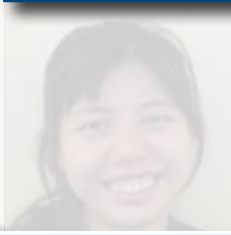
...investigations are conducted in an objective and ethical manner, with full regard to confidentiality and in accordance with our audit practice requirements....p20



Managing Our Office



Graduate development program....p33



Laptop replacement program....pg 39

Our Performance



Financial Manager James Dew is responsible for preparing the Office's financial statements and budget statements, and with ensuring compliance with the requirements of the Financial Administration Act 2006.

Financial performance

	2010-11 Target \$000	2010-11 Actual \$000	Variation \$000
Total cost of services (expense limit) (sourced from Statement of Comprehensive Income)	19 111	20 223	1 112
Total income other than income from State Government (sourced from Statement of Comprehensive Income)	14 220	15 296	1 076
Net cost of services (sourced from Statement of Comprehensive Income)	4 891	4 927	36
Total equity (sourced from Statement of Financial Position)	7 103	7 165	62
Net increase in cash held (sourced from Statement of Cash Flows)	(274)	307	581
	Number	Number	Number
Approved full-time equivalent (FTE) staff level	109	119	10

Table 2

The budget for the Office is largely comprised of accommodation costs, salaries and audit contractor expenses.

The variance in total cost of services was due to an increase in contract payments and general administrative costs.

Total income other than income from State Government increased due to the recognition of higher levels of work-in-progress accruals.

The increase in cash is due to invoices for contractor payments being accrued but unpaid at the end of the reporting period.

Further explanations are contained in note 29 'Explanatory Statement' to the financial statements on page 66 of this report.

Financial statements

For more details on our financial performance please refer to the relevant pages in our financial statements section of this report:

	<u>Page</u>
• Certification of Financial Statements	41
• Statement of Comprehensive Income	44
• Statement of Financial Position	45
• Statement of Changes in Equity	46
• Statement of Cash Flows	47
• Summary of Consolidated Account Appropriations and Income Estimates	48
• Notes to Financial Statements	49-70

Our Performance

Financial auditing

Introduction

Agencies that operate under the *Financial Management Act 2006* (the majority of public sector agencies) receive three opinions from the Auditor General:

- an opinion on the financial statements of the agency
- an opinion regarding the effectiveness of the controls in the agency
- an opinion regarding the key performance indicators of the agency and whether they are fairly presented, relevant and appropriate.

Entities operating under other legislation receive an opinion on their financial statements with a small number receiving an opinion on controls.

Audit work also includes the certifications of financial and statistical information produced by departments and statutory authorities. This assists agencies to discharge conditions of Commonwealth funding, grants or legislation and ensures that they meet requirements of their funding agreements in a timely manner.

Results for 2010-11

Audit opinions

Audit Opinions issued 2010-11	
Annual Report on State Finances	1
Parliamentary departments	3
Government departments	40
Statutory authorities	95
Universities and state training providers (statutory authorities)	14
Superannuation funds (statutory authorities)	3
Corporatised entities	15
Cemetery boards	6
Subsidiary entities	16
Request audits	8
Total number of audit opinions issued	201

Table 3

A complete list of agencies subject to audit is on pages 82 to 83 of this report.

Output

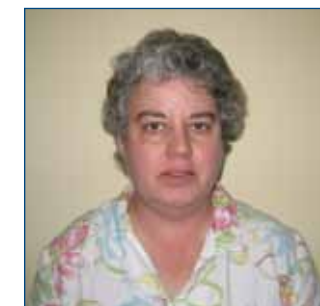
Output – Financial Audits	What we achieved
Table audit reports in Parliament	2
Audit opinions issued to ministers/agencies	201
Audit certifications issued	82

Table 4

Timeliness

What we set out to do	What we achieved
Issue 201 audit opinions in time for agencies' annual reports to be tabled within 90 days	99.4% of 2010 opinions were issued in time

Table 5



Carol Davis collates all the work of our auditors to create the two annual assurance audit reports which are tabled in Parliament.

This year 201 audit opinions were issued.

Our Performance



Compliance Analyst Maria Ahmed works in our Compliance and Information Systems division, where compliance audit reports are produced providing Parliament with information about government agency compliance with legislation, public sector polices and good practice.

Performance auditing

Introduction

The Auditor General tables in Parliament a range of reports addressing issues of parliamentary and community interest. These include two types of performance audit reports:

- Performance Audits – These provide Parliament with information and analyses of public sector programs and operational performance. Performance audits do not focus on government objectives but rather on whether the objectives have been met with efficiency and effectiveness.
- Compliance Audits – These provide information about government agency compliance with legislation, public sector policies and good practice.

Our reports do not just illustrate areas where performance can improve. They also identify and highlight examples of good practice. This is important as it provides guidance for other public sector agencies about improvement opportunities and better practice.

Output

Our key effectiveness performance indicators, which are outlined on the following page, provide an indication of our performance in relation to our reports tabled in Parliament. These key effectiveness performance indicators are audited.

The indicators set out in the table below are not audited, however they are included in this annual report because they are considered important in understanding the Office’s operational performance.

Indicator – parliamentary reports	2010-11 Target	What we achieved
Matters of significance to Parliament	100	106
Stand-alone and follow-up performance audit reports	6 to 8	5
Compliance audits	10 to 12	8
Results of financial statements and controls and performance indicator audits	2	2

Table 6

Our Performance

Key effectiveness performance indicators

The Office's effectiveness indicator shows the extent to which Parliament has been informed about public sector accountability and performance against four specified categories.

To enable our performance to be assessed, we established from 2009-10 a three year rolling target for each of our four categories of reports and for all reports tabled. Our three year target is 54 reports. While the Office aims to meet the individual category targets and the total target, we are also intent on responding to key issues as they emerge and not sacrificing the quality of our reports in order to achieve a qualitative measure.

Table 7 shows our three year target from 2009-10 to 2011-12 and our actual performance for 2010-11.

Report Type	2008-09 Actual	KPI Period			Target over 3 years
		2009-10 Actual	2010-11 Actual	2011-12 Target	
Service delivery	2	3	2	4	12
Economic development	4	2	1	3	9
Social and environment	3	1	2	4	11
Governance	8	14	10	7	22
Year Total	17	20	15	18	54

Table 7

For further information and details about reports tabled this year refer to pages 23 to 31.

Key efficiency performance indicators

The Office's key efficiency performance indicators measure the cost of our audits relative to government expenditure.

Table 8 shows the increase in government expenditure in 2010-11 was not matched by a proportional increase in expenditure of the Office. This resulted in lower total audit costs per million dollars of gross government expenditure.

Efficiency Indicator	2008-09 Actual	2009-10 Actual	2010-11 Actual	2010-11 Target
Total audit cost per \$m of gross government expenditure*	\$579	\$519	\$509	\$571
Attest (annual assurance) audit cost per \$m of gross government expenditure	\$434	\$389	\$382	\$428
Performance audit cost per \$m of gross government expenditure	\$145	\$130	\$127	\$143

Table 8

* The gross government expenditure value incorporates total public sector expenditure together with expenditure by universities, superannuation boards and other entities whose expenditure is not reported within government expenditure in the annual Budget Statements.

Further information on our key performance indicators is on page 72 and 73.



Performance Analyst Issihaka Toure works in our Performance Audit division preparing performance audit reports to Parliament.

In 2010-11 we tabled in Parliament 15 comprehensive audit reports of government activities across the four categories of service delivery, economic development, social and environment, and governance.

Our Performance



In 2010-11 Principal Policy Officer Michelle Bunn coordinated the many enquiries, referrals and requests for investigations we received from Members of Parliament and the public.

Referrals, special investigations and public interest disclosures

Introduction

Each year we receive many enquiries, referrals (expressions of concern) and requests for special investigations from Members of Parliament and the public, primarily in relation to the actions of a public sector agency or management of public resources.

In keeping with the Auditor General's independence, we have systems in place to ensure that a decision to investigate a matter is made with proper consideration of the relative merits of an investigation.

Our investigations are conducted in an objective and ethical manner, with full regard to confidentiality and in accordance with our audit practice requirements.

Importantly, all the information received through requests for special investigations, referrals and public interest disclosures is used to assist us in identifying topics for future audits.

Enquiries and referrals about the public sector

The Office has a comprehensive management system to ensure those contacting us to request an audit or to raise a concern about the public sector receive a considered and prompt response. In 2010-11, the average number of days taken to respond was four working days, with 93 per cent of all enquiries and referrals responded to within our target of 10 working days. Both these indicators are an improvement on the previous year.

Table 9 shows the trend in the number of enquiries and referrals received. In 2010-11 we received less concerns from members of the public and from Members of Parliament. The matters received from Members of Parliament related to two public sector agencies, two issues directly impacting Parliament and two multiple-agency programs.

Enquiries/referrals received	2007-08	2008-09	2009-10	2010-11
Members of the public	77	58	68	60
Members of Parliament and parliamentary committees	10	11	13	8
Total	87	69	81	68

Table 9

Issues raised through enquiries and referrals that can be examined by the Office, under the *Auditor General Act 2006*, are considered during our audit topic selection process (refer to page 81).

The *Auditor General Act 2006* provides for the Office to undertake audits into the efficiency and effectiveness of agencies and programs. Our focus is on systemic weaknesses rather than a one-off issue affecting an individual. We refer one-off issues to other sources of potential assistance, such as the Ombudsman who has a mandate to consider administrative issues affecting individuals. Importantly, we do record all individual concerns as they can provide an indication of wider issues across government.

Our Performance

This year, no specific agency or issue was repeatedly raised although the majority (62 per cent) of concerns were classed as governance matters. The remainder were evenly distributed across the categories of service delivery, economic development and social and environmental matters.

Special investigations

We define a special investigation as work that arises outside our normal topic identification and selection processes. Special investigations typically relate to possible mismanagement of public resources and are often referred to us from one of the other integrity agencies, including the Corruption and Crime Commission, the State Ombudsman and the Commissioner for Public Sector Standards. This work can take priority depending on the nature of the matter requiring investigation.

The Office commenced three special investigations during 2010-11. One arose from a referral raised by two Members of Parliament, another from a member of the public and the final investigation is the result of a joint referral raised by a member of the public and a Member of Parliament. These investigations will be concluded in 2011-12, and any matter of significance will be reported to Parliament.

Public interest disclosures

The Office is one of a number of accountability agencies under the *Public Interest Disclosure Act 2003* to which people can make public interest disclosures (PIDs). Key executive members are authorised PID Officers and have received appropriate training to effectively manage disclosures.

The Office received no new PIDs during 2010-11.

PIDs Registered	2007-08	2008-09	2009-10	2010-11
By year	1	2	0	0
Total to 30 June 2011	11	13	13	13

Table 10

To date, no PID investigation has resulted in a report to Parliament. Nevertheless, our PID investigations generally lead to some recommendations being made to agencies to improve their procedures or controls. There have been no discernible trends or themes identified from registered PIDs.

The Office commenced three special investigations during 2010-11. These investigations will be concluded in 2011-12.

Our Performance



Audit Coordinator Jo Brabazon is responsible for coordinating our annual Members of Parliament survey.

Members of Parliament are the primary stakeholder group for our Office and we are continuing to work closely with them to further enhance the quality and effectiveness of our reports.

Members of Parliament survey

Each year Orima Research, an independent research company, administers a survey of the Members of Parliament (MPs) to measure the extent to which they agree that the Office's services and reports contribute to improved public sector accountability and performance.

In 2011, ninety-four MPs were invited to participate in the survey and 59 per cent participated. Orima Research has advised that this year's response rate is the highest for any they have conducted in Australian audit offices over the past 12 years. This response rate is up from 57 per cent last year and markedly up from the 2009 response rate of 44 per cent.

Overall satisfaction with Auditor General reports and services continues to be very high with 91 per cent of MPs satisfied/very satisfied, however this result was a decline from the 2010 rate of 95 per cent.

Table 11 shows the percentage of respondents to the survey who 'agreed' or 'strongly agreed' with three specific indicators. The results of this survey are not part of our suite of key performance indicators but are considered important in understanding the Office's operational performance. These particular indicators are reported on an annual basis.

Indicator	2007-08 Actual %	2008-09 Actual %	2009-10 Actual %	2010-11 Actual %
The Office of the Auditor General is effective in achieving its desired outcome of informing Parliament on public sector accountability and performance of the public sector	90	91	84	80
Reports dealt with matters of significance to Parliament	94	93	90	89
Services and reports of the Office of the Auditor General are useful to Parliament	90	91	95	93

Table 11

Even though these results indicate that this Office is continuing to contribute to improved public sector accountability and performance, they also show areas where we can improve. The Office is working to address any potential issues emerging from these survey results.

Our Performance

Reports tabled in 2010-11

The following is a summary of our 2010-11 audit reports tabled in Parliament. The complete reports are available on our website www.audit.wa.gov.au.

While we do not seek media attention, media interest in our reports helps to raise awareness of our role and our work. It also helps us to understand whether the issues we choose are of interest to the public. Website download statistics also provide an indication of the degree of public interest in our reports.

Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<i>Fitting and Maintaining Safety Devices in Public Housing</i> , 11 August 2010 (Service Delivery)	<p>The catalyst for this audit was a tragic electrocution incident in September 2009 in a public rental property, and a subsequent request from the then Minister of Housing to review the Housing Authority's (Housing's) management of its program to retrofit residual current devices (RCDs) to all its properties.</p> <p>To assess whether issues with the RCD program were indicative of wider systemic problems we took a broader audit scope. We included programs relating to a second safety device (mains powered smoke alarms) and we reviewed how Housing maintains safety devices once they are installed.</p>	<p>Housing's safety device programs have not been managed effectively to minimise the risks to its tenants and properties.</p> <p>Unreliable property information, inadequate monitoring and oversight of retrofit programs, and weaknesses in property inspections and maintenance, mean Housing is unable to provide assurance that all its properties have the number of RCDs required to meet legislation and its own policies. These weaknesses are also evident in recent smoke alarm programs.</p>	<p>TV: Ch 2, Ch 7, Ch 9, Ch 10, GWN, WIN</p> <p>Radio: 6PR News, 6PR Drive, ABC 720, ABC North West, Curtin FM, MIX 94.5, 96FM</p> <p>Online and Print: The Australian, The West Australian, Sunday Times, WA Business News, Pilbara News, PS News, watoday.com.au</p>	4 388
<i>Environmental Management of Cockburn Sound</i> , 22 September 2010 (Social and Environment)	<p>This performance audit examined whether the environmental management framework and supporting arrangements promote a healthy ecosystem in Cockburn Sound.</p>	<p>A strong environmental management framework has been established for Cockburn Sound. However gaps in policy implementation and management oversight mean the framework has not been fully effective in maintaining ecosystem health.</p>	<p>Radio: 6PR News, ABC 720, ABC North West, MIX 94.5</p> <p>Online and Print: The West Australian, WA Business, News, PS News, Community Newspapers, abc.net.au</p>	4 511



Our Performance

Reports tabled in 2010-11...cont

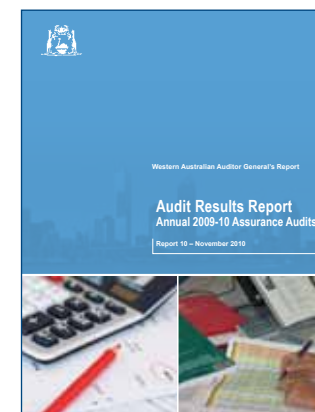


Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<p><i>ICT Procurement in Health and Training</i>, 13 October 2010 (Governance)</p>	<p>Experience here and overseas shows many major Information and Communication Technology (ICT) projects are not delivered on time and on budget, and often fail to achieve their intended benefits.</p> <p>We looked at specific ICT procurements in two large agencies – the Department of Health (Health) and the Department of Training and Workforce Development (Training). We also looked at the roles of the Department of Treasury and Finance and the Office of eGovernment, now part of the Public Sector Commission.</p>	<p>Health’s procurement of a new Patient Administration System (PAS) has not been done well. It has been 10 years since a PAS replacement was first identified as a priority by Health, and six years since Parliament provided the necessary funds, subject to Health first satisfying certain conditions. However, the funds are largely unspent, the State still does not have a PAS replacement and it is unlikely to have one in all metropolitan hospitals until at least 2014 and 2018 in regional areas.</p> <p>Weaknesses in the planning and governance of the PAS procurement, the negotiation of PAS related contracts and the monitoring of contract performance have all contributed to the delay. There has also been poor recordkeeping of all milestone activities – including financial.</p> <p>At Training the procurement of ICT services was generally sound. However, we found aspects of contractor monitoring was poor.</p>	<p>TV: Ch 2</p> <p>Radio: Mix 94.5</p> <p>Online and Print: The West Australian, thewest.com.au, watoday.com.au, itwire.com, zdnet.com.au, computerworld.com.au, techworld.com.au, cio.com.au</p>	12 553

Our Performance

Reports tabled in 2010-11...cont

Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<i>Audit Results Report – Annual 2009-10 Assurance Audits,</i> 10 November 2010 (Governance)	This report covers the annual assurance audits of financial statements, controls and key performance indicators (KPIs) for the 2009-10 reporting year. One hundred and sixty three audit opinions were issued by 1 November, primarily for agencies with year-end reporting on 30 June 2010. We also issued 63 certifications of which 40 related to Royalties for Regions.	<p>2009-10 saw significant spending by Western Australian Government agencies on projects funded by the Royalties for Regions program and Commonwealth economic stimulus funding. No notable control weaknesses over this spending were identified, the moneys were spent for their approved purposes and were accurately reported.</p> <p>Overall, agencies improved their annual financial reporting, in particular being 'audit ready' at an earlier date. However, there was a continuing increase in the number of significant financial control issues reported to management.</p> <p>We also found that the annual Statements of Corporate Intent (SCIs) required from the vast majority of agencies operating at arm's length from government were again not tabled in Parliament as required by legislation.</p>	<p>TV: Ch 2, Ch 9</p> <p>Radio: 6PR, ABC 720, MIX 94.5</p> <p>Online and Print: The West Australian, Australian Financial Review, WA Business News, PS News, thewest.com.au, watoday.com.au, topnews.co.uk, abc.net.au, zdnet.com.au</p>	51 556



Our Performance

Reports tabled in 2010-11...cont



Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<p><i>Universal Child Health Checks</i>, 24 November 2010 (Service Delivery)</p>	<p>WA Health (Health) has a free universal child health check program that promotes the best possible early development for all WA children. It offers seven health and development checks to children aged between birth and school entry (generally around four years old), and is supported by a statewide evidence based policy.</p> <p>These health checks are the entry point to accessing other child health services. The universal checks are important for identifying potential developmental delay so that children can be referred for further assessment and treatment where necessary.</p> <p>Our audit focused on three questions:</p> <ul style="list-style-type: none"> • Does Health have clear objectives for delivering its universal child health checks and are they being met? • Does Health understand the universal need/demand for child health checks and the resources required to meet this? • Is Health using its resources to deliver universal child health checks efficiently and effectively? 	<p>Many children are missing out on key health checks between birth and school entry. As a result, some developmental problems are not being detected and intervention is being delayed. This can have a significant impact on children’s development and school readiness.</p> <p>Health is giving priority to the first four checks, and is reaching 99 per cent of newborns within the first month in the metropolitan area. But this is at the expense of other checks. Only 30 per cent of 18 month olds and nine per cent of three year olds received checks in 2009-10. Health has not demonstrated why it considers this approach to be the best use of resources.</p> <p>Take-up of universal child health checks is voluntary. Although Health recognises that it needs to deliver services in flexible ways to make them accessible, in the metropolitan area it has made little progress in improving accessibility. The services available across the metropolitan area are not consistent in spite of attempts to make them so, and depend on where families live rather than their needs.</p> <p>Health does not have good information on its universal child health checks which hampers its ability to plan and deliver services effectively. More effective facilities management, and better information technology and administrative support for child health nurses would help them reach more children.</p>	<p>TV: Ch 2</p> <p>Radio: ABC 720</p> <p>Online and Print: The West Australian, PS News, thewest.com.au, watoday.com.au, abc.net.au</p>	<p>22 980</p>

Our Performance

Reports tabled in 2010-11...cont

Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<p><i>Second Public Sector Performance Report</i>, 24 November 2010</p> <p>The price is right? Setting fees and charges for government services</p> <p>(Governance)</p>	<p>The first item of the report examined whether six agencies had good processes in place to accurately cost their services and set related fees and charges appropriately. It also reviewed central government oversight of the setting of fees and charges across the public sector.</p>	<p>All the agencies had weaknesses in their approach to setting fees and charges. Weaknesses included failing to clearly define the scope and purpose of fees, poor documentation of the methodologies and assumptions used in costing models, and lack of detailed costing of services.</p> <p>The Department of Treasury and Finance's guidance and oversight of fee setting practice, while generally sound, can be improved in some areas.</p>	<p>TV: WIN</p> <p>Radio: ABC 720, Sonshine FM</p> <p>Online and Print: The West Australian, Australian Financial Review, Sydney Morning Herald, Avon Valley Advocate, Northern Guardian, Halls Creek Herald, Albany Advertiser, perthnow.com.au, WA Business News, PS News, watoday.com.au, abc.net.au</p>	22 520
<p>Royalties for Regions – Local government spending</p> <p>(Economic Development)</p>	<p>The second item of the report examined the Country Local Government Fund (CLGF) component of the Royalties for Regions program. The CLGF provides money to 110 regional local governments, to regional groupings of councils, and to the Department of Local Government for capacity building for regional local governments. The objective of the audit was to determine whether funds had been spent in accordance with the funding guidelines and whether appropriate accountability arrangements were in place to monitor funds paid to local governments.</p>	<p>The 2008-09 CLGF guidelines were deficient in some areas. They did not require local governments to lodge regular financial and progress reports, and lacked clarity to ensure local governments understood how the money could be used. Most of the local governments we sampled had spent some of their CLGF funds on non-allowable items within approved projects. The guidelines also did not require local governments to maintain accounting records that separately identified how CLGF funds were spent. As a result, some may have difficulty providing an audited final acquittal of 2008-09 CLGF expenditure. The Department of Regional Development and Lands has addressed these issues in the 2010-11 CLGF guidelines.</p>		



Our Performance

Reports tabled in 2010-11...cont



Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<p><i>Raising the Bar: Implementing key provisions of the Liquor Control Act in licensed premises, 23 March 2011</i></p> <p>(Social and Environmental)</p>	<p>The Department of Racing, Gaming and Liquor (DRGL) and Western Australia Police (WA Police) have the responsibility and powers to monitor and enforce compliance with the State's <i>Liquor Control Act</i>. This audit examined whether the agencies are effectively educating licensees and staff, monitoring the operation of licensed premises and taking appropriate enforcement action for breaches of the Act.</p>	<p>A primary objective of the Act is to minimise the harm associated with the sale and consumption of alcohol through the licensing of premises and regulating how the premises operate. DRGL and WA Police monitor and enforce some key provisions of the Act but neither agency is effectively monitoring or enforcing the responsible service of alcohol.</p> <p>Effective monitoring and enforcement relies on successful collaboration between WA Police and DRGL. The Act provides scope for the agencies to work together. The roles of the agencies are not formally agreed and collaboration is currently inadequate, leaving gaps in coverage, and duplication of effort. Increased collaboration would lead to more effective scrutiny of licensed premises and improved compliance with the Act.</p> <p>Education and training is essential for licensed premises to operate in accordance with the Act. Education and training requirements are limited, so staff of licensed premises may not have the necessary knowledge to manage their premises safely and responsibly.</p> <p>During the course of this audit the agencies began to respond to a number of our findings. These include findings on liquor industry staff training, improved collaboration between DRGL and WA Police, more effective information sharing and the follow up of unpaid fines.</p>	<p>TV: Ch 2, Ch 10</p> <p>Radio: 6PR, ABC 720, MIX 94.5, Triple J</p> <p>Online and Print: The West Australian, PS News, thewest.com.au, abc.net.au</p>	<p>10 689</p>

Our Performance

Reports tabled in 2010-11...cont

Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<i>Opinion on Ministerial Notification: Ministerial decision to not provide information to Parliament in relation to the theatre production of The Graduate, 23 March 2011</i> (Governance)	<p>This report deals with decisions by Minister Day in his role as Minister for Culture and the Arts to not provide information to Parliament in relation to the production of The Graduate, a play performed at his Majesty's Theatre in August and September 2010.</p> <p>The Auditor General's opinion is required by section 82 of the <i>Financial Management Act 2006</i> and section 24 of the <i>Auditor General's Act 2006</i>.</p>	<p>Summary of key findings:</p> <p>The decisions not to table the information were not reasonable and therefore were not appropriate.</p> <p>The advice provided to the Minister by the Department of Culture and the Arts and the Perth Theatre Trust was deficient and its preparation lacked rigorous analysis of the key issues in order to provide sound advice.</p>	<p>TV: Ch 2</p> <p>Radio: 6PR, ABC 720</p> <p>Online and Print: The West Australian, PS News, thewest.com.au, watoday.com.au, abc.net.au</p>	2 200
<p><i>Audit Results – Annual Assurance Audits completed since 1 November 2010, including universities and state training providers</i> (Governance)</p> <p><i>– Opinion on Ministerial Notification 25 May 2011</i> (Governance)</p>	<p>The first part of this report is primarily a summary of the audit opinions on the financial statements, controls and key performance indicators of the four public universities, their subsidiaries and 10 state training providers (formerly TAFE colleges) for the year-ending 31 December 2010. Other assurance audits completed since 1 November 2010 are also reported, bringing to a close the 2010 annual audit cycle.</p> <p>The second item in this report deals with a decision by Minister Redman in his role as Minister for Forestry to not provide information to Parliament on the names of debtors to the Forest Products Commission (FPC).</p>	<p>Summary of key findings:</p> <p>Although two universities and two state training providers were recognised for better practice in reporting and financial control, a significant overall increase in financial and information system control weaknesses identified is of concern. This included an increase in revenue related findings and four qualified opinions over revenue controls and reporting.</p> <p>Summary of key findings:</p> <p>The decision to not table the information was not reasonable and therefore not appropriate.</p> <p>The Forest Products Commission's advice to the Minister gave undue weight to protecting the commercial interests of its customers rather than protecting the public interest through disclosure of the information to Parliament.</p>	<p>Radio: ABC 720</p> <p>Online and Print: PS News, thewest.com.au, abc.net.au</p>	3 753



Our Performance

Reports tabled in 2010-11...cont



Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<i>Information Systems Audit Report, 15 June 2011</i>	This report contains two sections covering three items:		Extensive local, national and international media coverage, including:	32 873
Information Systems performance audit (Governance)	Cyber security in government agencies – this looked at 15 agencies ability to detect and respond to cyber threats.	None of the agencies we tested had adequate systems or processes in place to detect, manage or appropriately respond to a cyber attack. Only one agency detected our attacks. The failure of most agencies to detect our attacks was a particular concern given that the tools and methods we used in our tests were unsophisticated. Attempts to access the networks of three of the 15 agencies using vulnerabilities identified by our attacks were all successful. We were in a position to read, change or delete confidential information or shut down systems.	TV: Ch 7, Ch 2, Ch 9, Ch10, SBS Radio: 6PR, ABC 720, MIX 94.5 Online and Print: The West Australian, Australian Financial Review, WA Business News, PS News, Sydney Morning Herald, International Business Times, The Post, thewest.com.au, watoday.com.au, abc.net.au, zdnet.com.au, cio.com.au, computerworld.com.au	
Application and general computer controls audits (Governance)	Application controls audits – this part of the report contains the results of our audit of five key business applications at five agencies. General computer controls and capability assessments of agencies – this section contains the results of our general computer control audits conducted at over 40 agencies.	We were encouraged to see one agency had good controls in place for a key business application we reviewed. However all of the other agencies we reviewed in our application and general computer controls audits had multiple information system controls weaknesses. It is disappointing that signs of improvement from last year have not been sustained.		

Our Performance

Reports tabled in 2010-11...cont

Report/Date (Category)	Report Summary	Audit Conclusion	Media Coverage (note: this is not an exhaustive list – indicative only)	Total Web Hits (from tabling date)
<p><i>Public Sector Performance Report, 29 June 2011</i></p> <p>Agency compliance with procurement requirements (Governance)</p>	<p>The first audit in this report assessed nine agencies against four principles of good procurement practice. The Western Australian public sector spends billions of dollars each year to buy goods and services. It is important agencies ensure their procurements result in value for money and fair access for suppliers. Good procurement practices also reduce the likelihood of fraud and misconduct.</p>	<p>Compliance with government policy and good practice was inconsistent. Agencies may be missing opportunities to get best value for taxpayer dollars. Less than half the agencies we looked at managed procurement strategically and only two agencies complied consistently with all four principles of good practice. Five agencies complied consistently with some but not all of them. Two agencies did not comply consistently with any of the principles relevant to them.</p>	<p>Radio: 6PR, ABC 720</p> <p>Online and Print: The West Australian, WA Business News, PS News, Australian Herald, perthnow.com.au</p>	1 427
<p>Managing the Priority Start – Building policy (Governance)</p>	<p>The second audit in this report looks at how well government building contracts are used to support the employment of apprentices and trainees in the construction industry. Creating opportunities and places for apprentices and trainees helps to build a skilled labour force that is vital to Western Australia's economic development.</p>	<p>Agencies were not meeting the objectives of the Priority Start – Building policy to support the employment of apprentices in the construction industry. In 2009-10, key policy requirements were fully applied to only three of 58 contracts examined. As a result the Department of Training and Workforce Development cannot provide assurance that head contractors have offered employment opportunities to an estimated 141 apprentices. The then Department of Education and Training identified problems with the policy in a 2009 review of its implementation but did not fully address them.</p>		



Managing Our Office



Mandy Murray leads our Workforce and Development Unit. The main purpose of the Unit is to deliver strategic outcomes in key areas of data management and utilisation, leadership and management, organisational structures, attraction and retention and knowledge management.

Our core business is reporting on how effectively and efficiently the public sector uses the resources entrusted to it. Therefore, it is imperative that we ensure our own activities are conducted with optimum efficiency and effectiveness. In order to achieve this, we rely on the competence, dedication and enthusiasm of our workforce. We aim to be exemplary in the management of our people and their working conditions. We strive to provide an environment that supports our staff and encourages them in their role of meeting the desired outcomes of this Office.

Workforce Development Plan

In 2010, the Office conducted a workforce planning process utilising external expertise for the environmental scanning, research and analysis. The resulting document showed the similarities and differences in the Office's position in relation to the wider public sector, and comparative private sector employers.

To enable the Office to progress this draft document into action Corporate Executive approved a restructured Workforce and Development Unit with a remit of delivering strategic outcomes in the key areas of: data management and utilisation; leadership and management; organisational structure; attraction and retention; and knowledge management.

An ambitious Workforce Development Plan 2011-2016 was endorsed for implementation. There have already been enhancements to attraction and recruitment processes, with changes to the timing of graduate recruitment, the delivery of recruitment and selection training for managers, and refined advertising. We continue to improve the delivery and rigour of our professional development for employees including professional mentoring for our next-Gen leaders. Secondments out of the

Office allow employees growth and experiential opportunities and an increasing number of employees are taking advantage of our flexible workplace practices.

Our people

Table 12 shows a steady increase in staffing for the majority of divisions since last year. In part, this is an indication that our capacity to attract and retain employees has improved and broadened over the past 12 months. A number of attraction initiatives have been implemented, increasing our exposure in key target areas.

Employees by division at June 2010

	2008	2009	2010	2011
Auditor General Unit	6	7	5	6.3
Assurance Services	40	48.2	54.4	59.4
Compliance and Information Systems	14	14.5	11.3	11.7
Performance Audit	17	13.1	12.3	15.6
Standards and Quality	4	6.9	6.3	4.6
Strategy, Policy and Corporate Services	25	18.3	18.4	21.51
Total	106	108	107.6	119.11

Table 12

Staff attrition

Our attrition rate, at 11 per cent, is a significant decrease from last year's 17 per cent and below our forecast. This year we began implementing a number of the retention strategies identified in our workforce development plan to enhance our competitiveness in recruiting and retaining quality staff.

Managing Our Office

Code of Conduct

The Office reinforces the importance of adhering to its Code of Conduct by requiring all employees to annually sign a statement that they have read and understood it and will comply with its requirements. The Code of Conduct is included in the induction program for new employees and is available on the Office intranet.

Employee relations

The Office continued to operate over the course of the year in a cooperative industrial climate, supported by the Office Consultative Committee. During the year we successfully renegotiated our contract with our Employee Assistance provider. The confidential Employee Assistance Program can be accessed by our employees and their immediate family members and de-identified data reports are received on its usage. This enables the Office to detect trends in employee issues.

Graduate Development Program

This financial year, we advertised for graduates twice; in August 2010 for the 2011 intake and in March 2011 for the 2012 intake. There were a number of initiatives and outcomes worth noting:

- We utilised the university student hubs (UWA, ECU, Murdoch, Curtin and Notre Dame) as well as SEEK, the CPA website and the ICAA Graduate Booklet to advertise for the 2011 and 2012 intake.
- For the 2012 advertising we also notified all the Heads of Business/Accounting school lecturers and requested that they notify relevant graduating students of the opportunity.

- We advertised early for the 2012 intake, in March 2011, to bring us in line with 'Big 4' accounting firms' graduate program advertising. This included a new advertising approach and a 'grad friendly' web page. Opportunities to keep the new graduates interested during the year will be utilised.

For the 2011 intake, we received similar numbers of applications to the previous year and we welcomed eight graduates to the Office in February 2011. Although application numbers were down by 50 per cent for the 2012 intake, we interviewed a similar number of applicants and are set to welcome eight new graduates to the Office in February 2012.

Performance Review and Development Program

Our Office actively supports performance review and development as a means for employees to receive meaningful, constructive and objective feedback and identify opportunities for specific professional and personal development.

This year, as part of our continuous improvement, we reviewed our performance review tool to identify potential enhancements and to ensure that it was aligned with our Strategic Plan 2011-2016.

The review included consultation with employees across all divisions and resulted in a new approach and revised policies and guidelines. The outcome of this has meant a more streamlined process with better clarification of assessment guidelines and ratings.



One of our 2010 graduates, Elizabeth Dai, received the highest mark in the state in the Semester 2, 2010 CPA Program Financial Reporting segment. Elizabeth received a Certificate of Excellence together with a financial award from CPA Australia. Congratulations Elizabeth!

Managing Our Office



At our June office forum the Auditor General Colin Murphy was presented with the 'CPA Recognised Employer' certificate by Mr Mike Cheam.

Learning and development

The Office's Professional Development Program continued with sessions being led by both internal and external subject experts.

The continuous improvement of the Program is seeing the monthly pattern embedded across the Office, resulting in high attendance levels. The agenda has evolved with specialised sessions targeted to the appropriate employees. Further development of this targeted concept is underway.

2010–11 sessions have included:

- one-on-one mentoring sessions for our financial audit assistant directors with Professor Derek Parkin of Notre Dame University's School of Accounting
- public sector reform update and PSGOG agreement 2011
- client management and communication
- World Congress of Accountants debrief
- Equal Employment Opportunity and Workplace Behaviour
- Specialist OAG Information Systems Report
- key performance indicators
- post project reviews by the Performance Audit Division
- security of portable information technology devices such as laptops, USBs and mobile phones
- key accounting standards update.

This year we introduced updated versions of our computer software including Office, Word and Excel 2010. To support employees with this software upgrade a training program was delivered including group and one-on-one sessions.

The Office continues to use online programs for Record Awareness and TRIM training. Occupational Safety and Health Training is in the pipeline, with the content currently under review.

CPA Recognised Employer Program – a WA first

In a Western Australian first, the Office of the Auditor General has been acknowledged by CPA Australia for our commitment to Professional Development and training by naming the Office as a 'CPA Recognised Employer' under their Recognised Employer Program. The Office is the first organisation in the state granted full Recognised Employer Partner Status. This status provides a number of benefits for our employees, notably automatic continuing professional development (CPD) recognition for CPA auditors.

Secondments, internships, traineeships and work experience programs

The Office continues its strong support for school-based trainees, youth and work experience programs and placements. We are looking to utilise this support increasingly to strengthen our own attraction and recruitment practices, in addition to providing opportunities through universities and the Public Sector Internship Program.

We also continue to support secondment opportunities with public sector agencies as a way of allowing our employees to broaden their experience and expertise. Secondments to the Office allow us to draw from the expertise across the public sector creating learning and development opportunities for everyone involved

Office Consultative Committee

The Office operates an Office Consultative Committee that meets to discuss issues affecting employees. The committee provides the executive with comments on staff-related policies and procedures, and provides an important avenue for internal communication.

Equity and diversity

The Office values diversity and fosters an environment that is inclusive and free from bias. The Office employs a diverse workforce with over 36 per cent of staff from culturally and linguistically diverse and non-English speaking backgrounds.

In 2010-11 we continued to engage the services of a speech therapist and again made available to employees the online subscription of Macquarie Dictionary, which includes an English pronunciation tool.

Workplace behaviour and Equal Employment Opportunity (EEO) training is provided to graduates and new employees as part of their induction program. This year all our employees completed workplace behaviour and EEO refresher training.

We had six female employees accepted into prestigious leadership programs in 2010-11. These were the Australian and New Zealand School of Government Executive Leadership program; the WA Public Sector Pathway to Leadership and Foundations of Leadership Programs; and the Public Sector Management Program.

Table 13 shows the representation of each diversity group as a percentage of our workforce at 30 June 2011.

Equity and Diversity	2008 %	2009 %	2010 %	2011 %
Women	57	59	58.5	58.9
Indigenous Australians	0.8	0.8	0	0
People from culturally diverse backgrounds	50	53	40.6	36.4
People with disabilities	4.3	4.1	3.3	3.1
Youth	9.6	11.3	13	9.8

Table 13

Risk and Business Continuity

In mid-2010, we reviewed our risk framework, established clear guidelines for managing, reporting and monitoring all risks and updated our Business Continuity Plan. This Plan is monitored by our Risk Management Committee and is under periodic review to ensure we are able to continue critical business operations should an adverse event occur.

The Information Resources Branch introduced a number of new initiatives designed to lessen risks identified around information security and business continuity.

These included:

- implementation of Data Loss Prevention software
- deployment of encrypted USB keys
- implementation of additional intrusion detection systems.



Performance Audit Director Sue Paterson was accepted in the prestigious Australian and New Zealand School of Government Executive Leadership program.

Managing Our Office



Assistant Auditor Anne Lei organised the Christmas charity shoebox fund raiser which raised money to fill shoeboxes with toys and other items to be delivered to children in less fortunate countries.

Grievance resolution

The Office of the Auditor General is committed to providing an inclusive work environment for all employees that is free of discrimination and bias. We currently have six employees across the various work areas of our Office trained in grievance resolution in the workplace. This year our grievance officers undertook refresher courses. In 2010-11, no grievance or breach claims were received.

Office relocation

As part of the Government's office accommodation reforms, the Office will be relocating in December 2011 from Dumas House in West Perth to Albert Facey House in the city centre. Considerable effort is continuing to ensure the specific requirements of our Office are met so we can continue to deliver independent quality audit work to Parliament.

We are working very closely with the Building and Works division of the Department of Finance on all aspects of this project, including considerations for Information and Communication Technology requirements, floor plan layouts, furniture, security arrangements and access to shared facilities. Other factors include records management and storage requirements, parking limitations, logistics around the actual move, communication with employees, and risk and business continuity planning.

This project has been a major undertaking and has involved extensive planning, negotiation and coordination.

Continuous improvement

In September 2010, Corporate Executive officially endorsed the Office Continuous Improvement (CI) policy. This policy aims to incorporate improvement into our business processes through the cycle of planning, execution and review. We seek to incorporate CI into the way we do things, rather than as an afterthought or an additional task. As such, CI is as much a cultural issue as it is a practical management issue.

The policy is based on the following principles:

- a commitment by all staff to continuous improvement of processes, products and services
- input and involvement of all staff in identifying and implementing quality improvements
- systematic use of qualitative and quantitative feedback as the basis for identifying and prioritising improvement opportunities.

Quality framework

Quality is fundamentally important to everything we do at the Office of the Auditor General. We have in place a framework that establishes and maintains quality over the work performed by our Office. This framework is instilled throughout our workforce, sending a strong message that audit quality is more than (and certainly not less than) meeting professional standards. As part of our continuous improvement program much work has been done this year to review our quality framework to further enhance and strengthen this important document.

Managing Our Office

Innovation Team

Corporate Executive recognises the huge potential across the Office for innovative ideas and practice that could improve the efficiency and effectiveness of the work we do and in line with this, one of our Strategic Plan themes is 'Taking opportunities for improvement'. To promote innovation in the Office we will shortly introduce an Innovation Team that will work to ensure potential ideas and initiatives arising throughout the Office are recognised and explored. Nominations have been sought and the Team will be appointed early in the 2011-12 financial year.

Social club

We have an active social club which organises various events and fundraising activities that promote networking and socialising opportunities for all employees. Activities organised by the Social Club in 2010-11 included: end of financial year lunch at the WA Club; a sundowner at Black Tom's; a chocoholics morning tea; Melbourne Cup lunch; a lawn bowls evening; an end of Gregorian Calendar/Saturnalian lunch; and a spring breakfast. We also held a Christmas charity event, which raised money to fill shoeboxes with toys and other items to be delivered to children in countries such as Haiti. Other charities we have raised money for includes Cancer Council and Child Health Research.

Wellness Committee

The Wellness Committee was formed to further promote the health and wellbeing of our employees. Events and initiatives organised by the Committee are aimed to develop a wellness culture within the Office to foster a positive, uplifting workplace that encourages and supports a healthy work-life balance.

This year we participated in:

- 'Movember' raising money for men's health issues of prostate cancer and depression
- promoted National Walk to Work Day encouraging employees to include regular walking in their daily routine
- organised the delivery of a health and nutrition information session at the December Office Forum
- created a Bicycle User Group and participated in the Ride-To-Work day promoting cycling to work
- organised a Kings Park Wildflower Walk for employees
- organised a group visit to donate blood to the Australian Red Cross Blood Service
- continued our annual flu vaccination program.

Wellness tips and information are also provided on the Office intranet and in lunchrooms.

Green Team

The Office has a 'Green Team' program to increase awareness of sustainable development issues and to assist employees in making choices that respect the environment. This program also reinforces the Office's efforts to economise on the use of resources and to minimise waste.

Our current Energy Management Plan contains initiatives and targets aimed at reducing our energy use and the associated greenhouse gases.



Some of our Office staff participated in the Wildflower walk organised by the Wellness Committee.

Managing Our Office



Information Management and Systems Coordinator Dave Palmer works in our Information Management Branch and has done much work on improving the integration between our time and task reporting and recordkeeping systems.

Parliamentary Liaison Program

Providing relevant and timely information to Parliament is one of the Office's core functions. A calendar of planned regular contacts, including meetings, hearings, briefings and presentations, is in place and we continue to liaise with parliamentarians on the tabling of our reports. During the year we conducted a client survey with Members of Parliament and further information can be found on page 22.

Communications

The work of the Auditor General attracts wide interest from Parliament, the media and the public. In late 2010, the Australasian Council of Auditors General (ACAG) negotiated a media monitoring package that would service all the ACAG member offices. The subsequent trial of this package demonstrated the chosen supplier, Meltwater, could deliver the required services in a cost effective manner. A two year contract was agreed by the ACAG member offices, including our Office.

This year we utilised our intranet to further promote internal communications. We introduced an online 'suggestion box' where employees can ask questions or make suggestions on issues relating to the Office. These submissions can be made anonymously and a response is coordinated and posted by the Assistant Auditor General Strategy Policy and Corporate Services shortly after the submission is received. Since it was launched in July 2010, 22 submissions have been received on a variety of issues including technical audit questions, productivity ideas and general Office accommodation issues.

The Office has also introduced an interactive 'Office relocation page' on our intranet. In December 2011 our Office will be relocated from West Perth to the city centre and this intranet page acts as one of our primary communication tools for this project. Updates are regularly posted on the page and items such as pictures and floor plans are updated as they are received by the internal project team. Employees are encouraged to post ideas and questions on the 'your comments' wall on the page. This has proved to be an effective communication tool, allowing employees to easily access up to date information relating to the relocation.

The Auditor General continues to issue a regular blog via the Office intranet, which is received by all employees. This is a popular and effective internal communication tool that is used by the Auditor General to update employees on Office achievements and issues arising throughout the year. We also conduct Office Forums four times a year for all employees. These Forums are used as a whole of Office gathering where important updates affecting the organisation are discussed before concluding with a morning tea.

Information management

In 2008-09 the State Records Commission approved our five-year recordkeeping plan and this year we have been preparing our systems to implement the latest version of the TRIM Electronic Document and Records System (TRIM 7) in early 2011-12. The introduction of TRIM 7 will include online record awareness training and online TRIM training for all staff, with ongoing training provided.

Much work was done this year on improving the integration between our work tracking system, eTrack, and TRIM. We also redeveloped our Executive Tracking System (ETS) as a SharePoint application, which is the platform for our intranet and website. Both these enhancements are designed to make it easier to access and use these vital systems and to enhance our reporting and tracking capabilities.

With our Office relocation scheduled for late 2011, our Information Management Branch has renewed their focus on electronic storage of records to reduce the amount of paper used and to reduce the storage requirements in the new location. Many of our paper records are being scanned and stored electronically, in line with our recordkeeping requirements.

Information technology

One of the major projects successfully undertaken this financial year by our Information Resources Branch (IRB) has been the laptop replacement program. Following a tender process, a supplier was selected to replace all staff laptops with newer and more advanced technology. We have an ongoing asset replacement program designed to address depreciation of assets and to ensure we keep up to date with current technological advancements. This Office-wide replacement program involved extensive coordination and planning to minimise the impact on our audit work.

In conjunction with the laptop replacement program, IRB also introduced updated software, including Exchange 2010 and Office 2010, as well as an upgrade to our financial management system (SmartStream).

A Microsoft Systems Centre was also implemented, involving two management aspects:

- Configuration Manager – to provide for enhanced centralised management of hardware and software assets and automated deployment of software packages.
- Service Manager – to provide standards-based tracking and management of fault reports and service requests.

A major focus for IRB has been the planning, negotiation and coordination of information technology and communication requirements for our relocation to Albert Facey House. This is a huge undertaking and a vital part of our relocation process.

Information and Communication Technology Committee

We have an active Information and Communication Technology (ICT) Committee which meets on a regular basis to identify any ICT issues, opportunities and risks across the Office. The Committee makes recommendations to Corporate Executive on the appropriate action, in line with relevant Office policies and industry better practice standards. This committee is made up of representatives across the different work areas of the Office to ensure a strategic approach to ICT, with consideration of operational needs.



Systems Support Officer Phil Hackett works in our IT Branch and was involved with the laptop rollout conducted this year.

Financial Statements and Key Performance Indicators



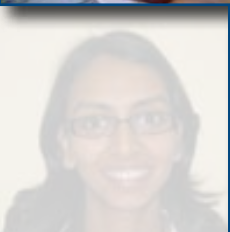
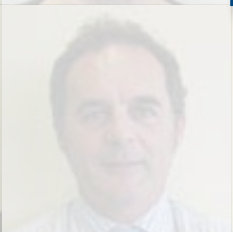
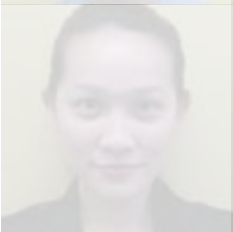
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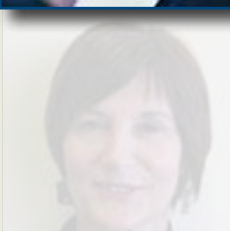
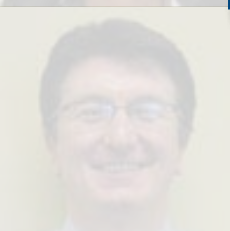
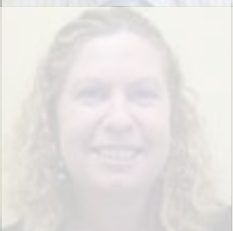
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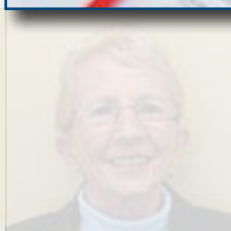
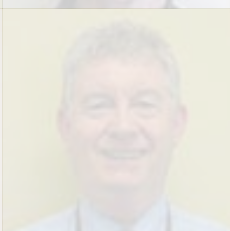
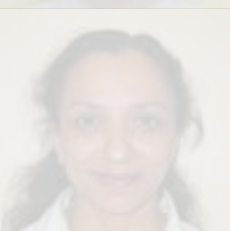
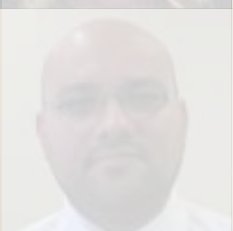
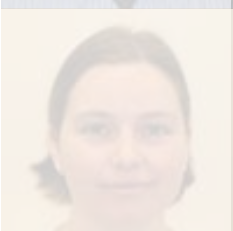
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Certification of Financial Statements

For the year ended 30 June 2011

The accompanying financial statements of the Office of the Auditor General have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2011 and the financial position as at 30 June 2011.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



JAMES DEW
CHIEF FINANCE OFFICER
29 July 2011



COLIN MURPHY
ACCOUNTABLE AUTHORITY
29 July 2011

Independent Auditor's Opinion

Financial Statements and Performance Indicators for the year ended 30 June 2011

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

OFFICE OF THE AUDITOR GENERAL

Report on the Financial Statements

We have audited the accounts and financial statements of the Office of the Auditor General.

The financial statements comprise the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Auditor General's Responsibility for the Financial Statements

The Auditor General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Auditor General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the financial statements based on our audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Auditor General, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Office of the Auditor General at 30 June 2011 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.



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Independent Auditor's Opinion

Financial Statements and Performance Indicators for the year ended 30 June 2011

Independent Auditor's Report

To the Parliament of Western Australia
OFFICE OF THE AUDITOR GENERAL



Report on Controls

We have audited the controls exercised by the Office of the Auditor General. The Auditor General is responsible for ensuring that adequate control is maintained over the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the controls exercised by the Auditor General based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the controls exercised by the Office of the Auditor General are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Report on the Key Performance Indicators

We have audited the key performance indicators of the Office of the Auditor General. The Auditor General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions.

As required by the Auditor General Act 2006, our responsibility is to express an opinion on the key performance indicators based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the key performance indicators of the Office of the Auditor General are relevant and appropriate to assist users to assess the Office's performance and fairly represent indicated performance for the year ended 30 June 2011.

Independence

In conducting this audit, we have complied with the independence requirements of the Australian Auditing Standards, and other relevant ethical requirements.

BENTLEYS
Chartered Accountants

DATED at PERTH this 29th day of July 2011

CHRIS WATTS
Director

Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 \$000	2010 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	5	11 138	10 254
Supplies and services	6	7 127	7 167
Depreciation and amortisation expense	7	499	411
Impairment losses	8	130	0
Accommodation expenses	9	1 294	1 231
Loss on disposal of non-current assets	13	5	0
Other expenses	10	30	31
Total cost of services		20 223	19 094
Income			
<i>Revenue</i>			
User charges and fees	11	15 216	14 562
Other revenue	12	80	26
Total Revenue		15 296	14 588
<i>Gains</i>			
Gain on disposal of non-current assets	13	0	33
Total Gains		0	33
Total income other than income from State Government		15 296	14 621
NET COST OF SERVICES		4 927	4 473
Income from State Government			
Service appropriation	14	4 962	4 793
Resources received free of charge	14	29	20
Total income from State Government		4 991	4 813
SURPLUS FOR THE PERIOD		64	340
Other Comprehensive Income		0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		64	340

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2011

	Note	2011 \$000	2010 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	25	2 577	2 361
Receivables	16	6 065	5 277
Amounts receivable for services	17	482	200
Other current assets	18	106	168
Total Current Assets		9 230	8 006
Non-Current Assets			
Restricted cash and cash equivalents	15,25	266	175
Amounts receivable for services	17	857	914
Property, plant and equipment	19	519	520
Intangible assets	20	48	270
Total Non-Current Assets		1 690	1 879
TOTAL ASSETS		10 920	9 885
LIABILITIES			
Current Liabilities			
Payables	22	1 065	732
Provisions	23	1 720	1 685
Total Current Liabilities		2 785	2 417
Non-Current Liabilities			
Provisions	23	970	786
Total Non-Current Liabilities		970	786
TOTAL LIABILITIES		3 755	3 203
NET ASSETS		7 165	6 682
EQUITY			
Contributed equity	24	6 321	5 902
Accumulated surplus	24	844	780
TOTAL EQUITY		7 165	6 682

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Contributed equity \$000	Accumulated surplus \$000	Total equity \$000
Balance at 1 July 2009	24	882	440	1 322
Total comprehensive income for the year		0	340	340
Transactions with owners in their capacity as owners:				
Capital appropriations		255	0	255
Other contributions by owners		4 765	0	4 765
Total		5 020	0	5 020
Balance at 30 June 2010		5 902	780	6 682
Balance at 1 July 2010		5 902	780	6 682
Total comprehensive income for the year		0	64	64
Transactions with owners in their capacity as owners:				
Capital appropriations		419	0	419
Other contributions by owners		0	0	0
Total		419	0	419
Balance at 30 June 2011		6 321	844	7 165

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$000	2010 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		4 537	4 393
Capital appropriations		419	255
Holding account drawdowns		200	293
Administered cash contributed by owner		0	85
Net cash provided by State Government		5 156	5 026
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(10 761)	(9 745)
Supplies and services		(6 942)	(7 179)
Accommodation		(1 294)	(1 231)
GST payments on purchases		(818)	(831)
GST payments to taxation authority		(706)	(787)
Other payments		(30)	(31)
Receipts			
User charges and fees		14 508	14 314
GST receipts on sales		1 525	1 398
GST receipts from taxation authority		0	233
Other receipts		80	25
Net cash provided by/(used in) operating activities	25	(4 438)	(3 834)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(411)	(180)
Receipts			
Proceeds from sale of non-current physical assets		0	33
Net cash provided by/(used in) investing activities		(411)	(147)
Net increase in cash and cash equivalents		307	1 045
Cash and cash equivalents at the beginning of period		2 536	1 491
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	25	2 843	2 536

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2011

	2011 Estimate \$000	2011 Actual \$000	Variance \$000	2011 Actual \$000	2010 Actual \$000	Variance \$000
DELIVERY OF SERVICES						
Item 36 Net amount appropriated to deliver services	4 434	4 392	(42)	4 392	4 276	116
Amount Authorised by Other Statutes – <i>Salaries and Allowances Act 1975</i>	570	570	0	570	517	53
Total appropriations provided to deliver services	5 004	4 962	(42)	4 962	4 793	169
CAPITAL						
Item 130 Capital appropriations	419	419	0	419	255	164
GRAND TOTAL	5 423	5 381	(42)	5 381	5 048	333
DETAILS OF EXPENSES BY SERVICE						
Public Sector Auditing	19 111	20 223	1 112	20 223	19 094	1 129
Total Cost of Services	19 111	20 223	1 112	20 223	19 094	1 129
Less Total Income	(14 220)	(15 296)	(1 076)	(15 296)	(14 621)	(675)
Net Cost of Services	4 891	4 927	36	4 927	4 473	454
Adjustments	113	35	(78)	35	320	(285)
Total appropriations provided to deliver services	5 004	4 962	(42)	4 962	4 793	169
CAPITAL EXPENDITURE						
Purchase of non-current physical assets	669	411	(258)	411	180	231
Adjustments for other funding sources	(250)	8	258	8	75	(67)
Capital appropriations	419	419	0	419	255	164
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered Income	0	0	0	0	169	(169)
	0	0	0	0	169	(169)

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

Note 29 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2011 and between the actual results for 2010 and 2011.

Notes to Financial Statements

For the year ended 30 June 2011

1. AUSTRALIAN ACCOUNTING STANDARDS

General

The Office of the Auditor General's (the Office) financial statements for the year ended 30 June 2011 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Office has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Office for the annual reporting period ended 30 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General statement

The financial statements constitute general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act* and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

Note 3 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Office of the Auditor General.

Mission

The Office's mission is to improve public sector performance and accountability by reporting independently to Parliament.

The Office is partly funded by parliamentary appropriation. It also charges for certain audit services to agencies and fees are based on full cost recovery. The financial statements encompass all funds through which the Office controls resources to carry on its functions.

Notes to Financial Statements

For the year ended 30 June 2011

Services

The Office provides the following service:

- Public Sector Auditing

This comprises the external audit of the Western Australian public sector through audits of financial statements, controls and key performance indicators and audits of efficiency and effectiveness of public sector operations.

(d) Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly-Owned Public Sector Entities* and have been credited directly to contributed equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

Service appropriations

Service appropriations are recognised as revenues at fair value in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Net appropriation determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. In accordance with the determination specified in the 2010-11 Budget Statements, the Office retained \$15.3 million in 2011 (\$14.6m in 2010) from the following:

- Assurance audit fees
- Government vehicle scheme
- Other Office revenue.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Office obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Gains

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

Notes to Financial Statements

For the year ended 30 June 2011

(f) Property, plant and equipment

Capitalisation/expensing of assets

Items of property, plant and equipment costing \$5 000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5 000 are immediately expensed direct to the Statement of Comprehensive Income other than where they form part of a group of similar items which are significant in total.

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost. For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

- Plant and equipment 10 years
- Office equipment 10 years
- Computer equipment 2 to 3 years.

(g) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5 000 or more and internally generated intangible assets costing \$50 000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Office have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

- Software^(a) 3 years

(a) Software that is not integral to the operation of any related hardware.

Computer software

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5 000 is expensed in the year of acquisition.

Notes to Financial Statements

For the year ended 30 June 2011

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

(h) Impairment of assets

Property, plant and equipment, and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Office is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be

derived from the asset. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(i) Leases

The Office holds operating leases for office accommodation, certain equipment and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased items.

(j) Financial instruments

In addition to cash, the Office has two categories of financial instrument:

- Loans and receivables
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - Cash and cash equivalents
 - Restricted cash and cash equivalents
 - Receivables
 - Amounts receivable for services
- Financial Liabilities
 - Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

Notes to Financial Statements

For the year ended 30 June 2011

(k) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(l) Accrued salaries

Accrued salaries (see note 22 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to its net fair value.

The accrued salaries suspense account (see note 15 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

(m) Amounts receivable for services (holding account)

The Office receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

(n) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (ie impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts

(doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(o) Payables

Payables are recognised at the amounts payable when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as they are generally settled within 30 days.

(p) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employee benefits

All annual and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

The liability for annual leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled. Annual leave not expected to be settled within 12 months after the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures

Notes to Financial Statements

For the year ended 30 June 2011

and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Long service leave

A liability for long service leave is recognised after an employee has completed two years of service. An actuarial assessment of long service leave undertaken by PricewaterhouseCoopers Actuaries at 31 December 2009 determined that the liability measured using the short-hand method was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Office's experience of employee retention and leave taken.

Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Conditional long service leave provisions are classified as non-current liabilities because the Office has an unconditional right to defer settlement of the liability until the employee has completed the requisite years of service.

Deferred leave

The provision for deferred leave relates to public service employees who have entered into an agreement to self-fund an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a non-current provision until the fifth year.

Purchased leave

The provision for purchased leave relates to public service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the nominal amounts expected to be paid when the liabilities are settled. This liability is measured on the same basis as annual leave.

Superannuation

The Government Employees Superannuation board (GESB) administers public sector superannuation arrangements in Western Australia in accordance with legislative requirements.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995. The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for Office purposes because the concurrent contributions (defined contributions) made by the Office to GESB extinguishes the Office's obligations to the related superannuation liability.

The Office has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Office to the GESB. The concurrently funded part of the GSS is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS obligations.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of

Notes to Financial Statements

For the year ended 30 June 2011

these schemes are accumulation schemes. The Office makes concurrent contributions to GESB on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

Provisions – other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Office's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

(q) Superannuation expense

The superannuation expense in the Statement of Comprehensive Income comprises of employer contributions paid to the GSS (concurrent contributions), the WSS and the GESBS. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

(r) Resources received free of charge or for nominal cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income at fair value. Where the resources received represents a service that the Office would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(s) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long service leave

Several estimates and assumptions used in calculating the Office's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

4. DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES

Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Office has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Office. Where applicable, the Office plans to apply these Australian Accounting Standards from their application date.

Notes to Financial Statements

For the year ended 30 June 2011

	Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].</i>	1 January 2013	AASB 1053 <i>Applications of Tiers of Australian Accounting Standards</i>	1 July 2013
The amendment to AASB 7 requires modification to the disclosure of categories of financial assets. The Office does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.		This Standard establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The Standard does not have any financial impact on the Office. However, it may affect disclosures in the financial statements of the Office if the reduced disclosure requirements apply. DTF has not yet determined the application or the potential impact of the new Standard for the Office.	
AASB 2009-12 <i>Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031, and Interpretations 2, 4, 16, 1039 & 1052].</i>	1 January 2011	AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
This Standard introduces a number of terminology changes. There is no financial impact resulting from the application of this revised Standard.		This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities. The Standard is not expected to have any financial impact on the Office. However this Standard may reduce some note disclosures in financial statements of the Office. DTF has not yet determined the application or the potential impact of the amendments to these Standards for the Office.	

Notes to Financial Statements

For the year ended 30 June 2011

		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
AASB 2011-2	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]</i>	1 July 2011	AASB 2010-6	<i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]</i>	1 July 2011
	This Amending Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. DTF has not yet determined the application or the potential impact of the amendments to these Standards for the Office.			This Standard makes amendments to Australian Accounting Standards introducing additional presentation and disclosure requirements for financial assets. The Standard is not expected to have any financial impact on the Office. DTF has not yet determined the application or the potential impact of the new Standard for the Office.	
AASB 2010-5	<i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023, & 1038 and Interpretations 112, 115, 127, 132 & 1042] (October 2010).</i>	1 January 2011	AASB 9	<i>Financial Instruments</i>	1 July 2013
	This Standard introduces a number of terminology changes as well as minor presentation changes to the Notes to the Financial Statements. There is no financial impact resulting from the application of this revised Standard.			This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The Standard was reissued on 6 December 2010 and the Office is currently determining the impact of the Standard. DTF has not yet determined the application or the potential impact of the amendments to these standards for the Office.	

Notes to Financial Statements

For the year ended 30 June 2011

		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</i>	1 January 2013	ASB 2011-1	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113]</i>	1 July 2011
	This Amending Standard makes consequential adjustments to other Standards as a result of issuing AASB 9 Financial Instruments in December 2010. DTF has not yet determined the application or the potential impact of the Standard for the Office.			This Amending Standard, in conjunction with AASB 1054 Australian Additional Disclosures, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards.	
AASB 1054	<i>Australian Additional Disclosures</i>	1 July 2011			
	This Standard, in conjunction with AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards.				

Notes to Financial Statements

For the year ended 30 June 2011

	2011	2010
	\$000	\$000

5. EMPLOYEE BENEFITS EXPENSE

Wages and salaries ^(a)	10 165	9 428
Superannuation – defined contribution plans ^(b)	973	826
	11 138	10 254

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.

(b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).

Employment on-costs expenses, such as workers' compensation insurance, are included at note 10 'Other expenses'.

Employment on-costs liability is included at note 23 'Provisions'.

6. SUPPLIES AND SERVICES

Contracted audit work	5 085	5 422
Other services and contracts	572	495
Repairs and maintenance	367	299
Administration	213	207
Other staffing costs	236	170
Travel and accommodation	194	169
Lease expenses	163	147
Consumables	156	144
Communications	74	75
Advertising	34	4
Other	33	35
	7 127	7 167

	2011	2010
	\$000	\$000

7. DEPRECIATION AND AMORTISATION EXPENSE

Depreciation		
Office and computer equipment	231	148
Plant and equipment	26	39
Total depreciation	257	187

Amortisation		
Intangible assets	242	224
Total amortisation	242	224
Total depreciation and amortisation	499	411

8. IMPAIRMENT LOSSES

Office and computer equipment	65	0
Furniture and fittings	65	0
	130	0

Refer to note 21 for details of the recognised impairment losses.

9. ACCOMMODATION EXPENSES

Office rent	877	885
Office parking	131	134
Monthly outgoings	286	212
	1 294	1 231

10. OTHER EXPENSES

Employment on-costs	17	17
Audit fee	13	14
	30	31

Notes to Financial Statements

For the year ended 30 June 2011

	2011	2010
	\$000	\$000

11. USER CHARGES AND FEES

Audit fees	15 216	14 562
	<u>15 216</u>	<u>14 562</u>

12. OTHER REVENUE

Contributions for the use of motor vehicle	25	26
Miscellaneous	55	0
	<u>80</u>	<u>26</u>

13. NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

Proceeds from disposal of non-current assets

Plant and equipment	0	33
---------------------	---	----

Costs of disposal of non-current assets

Plant and equipment	(5)	0
Net gain/(loss)	<u>(5)</u>	<u>33</u>

	2011	2010
	\$000	\$000

14. INCOME FROM STATE GOVERNMENT

Appropriation received during the year:		
Service appropriation ^(a)	4 962	4 793
Resources received free of charge ^(b)		
Determined on the basis of the following estimates provided by agencies:		
State Solicitor's Office	29	20
	<u>29</u>	<u>20</u>
	<u>4 991</u>	<u>4 813</u>

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(b) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.

15. RESTRICTED CASH AND CASH EQUIVALENTS

Non-current

Accrued salaries suspense account ^(a)	266	175
	<u>266</u>	<u>175</u>

(a) Funds held in the suspense account used only for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

Notes to Financial Statements

For the year ended 30 June 2011

	2011 \$000	2010 \$000
--	---------------	---------------

16. RECEIVABLES

Current

Accrued revenue	5 769	5 063
GST receivable	245	210
Receivable	51	4
Total current	6 065	5 277

17. AMOUNTS RECEIVABLE FOR SERVICES (HOLDING ACCOUNT)

Current	482	200
Non-current	857	914
	1 339	1 114

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

18. OTHER ASSETS

Current

Prepayments	106	168
Total current	106	168

	2011 \$000	2010 \$000
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19. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

At cost	301	301
Accumulated depreciation	(221)	(196)
Accumulated impairment losses	(65)	0
	<u>15</u>	<u>105</u>

Office and computer equipment

At cost	1 454	1 187
Accumulated depreciation	(885)	(772)
Accumulated impairment losses	(65)	0
	<u>504</u>	<u>415</u>
	519	520

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below.

	Plant and equipment \$000	Office and computer equipment \$000	Total \$000
2011			
Carrying amount at start of year	105	415	520
Corrections	1	4	5
Additions	0	386	386
Disposals	0	(5)	(5)
Depreciation	(26)	(231)	(257)
Impairment losses	(65)	(65)	(130)
Carrying amount at end of year	15	504	519
2010			
Carrying amount at start of year	144	416	560
Additions	0	139	139
Disposals	0	8	8
Depreciation	(39)	(148)	(187)
Carrying amount at end of year	105	415	520

Notes to Financial Statements

For the year ended 30 June 2011

	2011	2010
	\$000	\$000

20. INTANGIBLE ASSETS

Computer software

At cost	752	758
Accumulated amortisation	(704)	(488)
Total intangible assets	48	270

Reconciliations:

Computer software

Carrying amount at start of year	270	453
Additions	20	41
Amortisation expense	(242)	(224)
Carrying amount at end of year	48	270

21. IMPAIRMENT OF ASSETS

The Office is currently in negotiations with Building Management and Works to relocate from Dumas House to Albert Facey House. The relocation date is currently scheduled for December 2011. The Office has assessed that six items of furniture and fittings will have no future economic benefit once they have been relocated. Accordingly, these assets were considered as being impaired at 30 June 2011. An impairment loss of \$65 000 has been recognised in the Statement of Comprehensive Income. The remaining useful lives of these assets will be depreciated evenly until December 2011 at which point the written down value of these assets will be zero. Refer note 19 for further information.

	2011	2010
	\$000	\$000

21. IMPAIRMENT OF ASSETS (CONT)

The Office purchased 160 new laptop computers in June 2011. The existing laptop computers were not disposed of prior to the end of the reporting period and their estimated remaining useful life is approximately 1 year. Accordingly, these assets were considered as being impaired at 30 June 2011. An impairment loss of \$65 000 equivalent to the estimated realisable value of these assets has been recognised in the Statement of Comprehensive Income. The assets will be exchanged for software with a private company in July 2011. Refer note 19 for further information.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period.

At the end of the reporting period there were no intangible assets not yet available for use.

All surplus assets at 30 June 2011 have either been classified as assets held for sale or written-off.

22. PAYABLES

Current

Accrued expenses	636	524
Accrued salaries	310	153
Work in progress contractor payments	119	55
Total current	1 065	732

Notes to Financial Statements

For the year ended 30 June 2011

	2011 \$000	2010 \$000
23. PROVISIONS		
Current		
<i>Employee benefits provision</i>		
Annual leave ^(a)	938	840
Long service leave ^(b)	747	655
Purchased leave ^(c)	27	17
	<u>1 712</u>	<u>1 512</u>
<i>Other provisions</i>		
Employment on-costs ^(e)	8	173
	<u>1 720</u>	<u>1 685</u>
Non-current		
<i>Employee benefits provision</i>		
Long service leave ^(b)	899	698
Deferred salary scheme ^(d)	66	0
	<u>965</u>	<u>698</u>
<i>Other provisions</i>		
Employment on-costs ^(e)	5	88
	<u>970</u>	<u>786</u>

	2011 \$000	2010 \$000
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	938	840
More than 12 months after the reporting period	0	0
	<u>938</u>	<u>840</u>
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	517	425
More than 12 months after the reporting period	1 129	928
	<u>1 646</u>	<u>1 353</u>
(c) Purchased leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	27	17
More than 12 months after the reporting period	0	0
	<u>27</u>	<u>17</u>

Notes to Financial Statements

For the year ended 30 June 2011

	2011	2010
	\$000	\$000

23. PROVISIONS (CONT)

(d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Actual settlement of the liabilities will occur as follows:

Within 12 months of the end of the reporting period	0	0
More than 12 months after the reporting period	66	0
	<u>66</u>	<u>0</u>

(e) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 10 'Other expenses'

Movements in other provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

Employment on-cost provision

Carrying amount at start of year	261	204
Additional provisions recognised	(248)	57
Carrying amount at end of year	<u>13</u>	<u>261</u>

	2011	2010
	\$000	\$000

24. EQUITY

The Government holds the equity interest in the Office on behalf of the community. Equity represents the residual interest in the net assets of the Office.

Contributed equity

Balance at start of year	5 902	882
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Contributions by owners

Capital appropriation	419	255
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Transfer of net assets from other agencies

Transfer of net assets from administered	0	4 765
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Total contributions by owners

	<u>419</u>	<u>5 020</u>
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Balance at end of year

	<u>6 321</u>	<u>5 902</u>
--	--------------	--------------

Accumulated surplus

Balance at start of year	780	440
--------------------------	-----	-----

Result for the year	64	340
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Balance at end of year	<u>844</u>	<u>780</u>
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Total Equity

	<u>7 165</u>	<u>6 682</u>
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25. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalent	2 577	2 361
Restricted cash and cash equivalents	266	175
	<u>2 843</u>	<u>2 536</u>

Notes to Financial Statements

For the year ended 30 June 2011

	2011 \$000	2010 \$000
25. NOTES TO THE STATEMENT OF CASH FLOWS (CONT)		
Reconciliation of net cost of services to net cash flows provided by/ (used in) operating activities		
Net cost of services	(4 927)	(4 473)
Non-cash items:		
Depreciation and amortisation expense	499	411
Impairment expense	130	0
Resources received free of charge	29	20
Net loss on disposal of property, plant and equipment (note 13 'Net gain/(loss) on disposal of non-current assets')	5	0
(Increase)/decrease in assets:		
Current receivables(a)	(692)	(247)
Increase/(decrease) in liabilities:		
Current payables ^(a)	355	19
Current provisions	35	(141)
Non-current provisions	184	597
Net GST receipts/(payments) ^(b)		
Change in GST in receivables/payables ^(c)	(56)	(20)
Net cash provided by/(used in) operating activities	(4 438)	(3 834)

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, ie. cash transactions.

(c) This reverses out the GST in receivables and payables

	2011 \$000	2010 \$000
26. RESOURCES PROVIDED FREE OF CHARGE		
During the year audit services were provided free of charge to the following departments, statutory authorities and request audits:		
Dwellingup Cemetery	3	3
South Caroling Cemetery	0	3
Agricultural Practices Board of WA	0	2
Chowerup Cemetery	0	1
	3	9

27. COMMITMENTS

The commitments below are inclusive of GST where relevant.

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Within 1 year	758	1 126
Later than 1 year and not later than 5 years	29	1 300
	787	2 426

Other expenditure commitments

Private sector contracts in relation to audit services contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	3 572	4 103
Later than 1 year and not later than 5 years	4 435	7 901
	8 007	12 004

28. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

Notes to Financial Statements

For the year ended 30 June 2011

29. EXPLANATORY STATEMENT

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Account Appropriations and Income Estimates' are shown below: Significant variations are considered to be those greater than 10 per cent or \$250 000.

Total appropriations to deliver services

Significant variances between estimate and actual for 2011

No significant variance in appropriations to deliver services

Significant variances between actual results for 2010 and 2011

No significant variance in appropriations to deliver services

Service expenditure

Significant variances between estimate and actual for 2011

	2011 Estimate \$000	2011 Actual \$000	Variance \$000
Total cost of services	19 111	20 223	1 112

The variance in the total cost of services was due to an increase in contract payments and general administrative costs.

Significant variances between actual results for 2010 and 2011

	2011 \$000	2010 \$000	Variance \$000
Total cost of services	20 223	19 094	1 129
Net cost of services	4 927	4 473	454

The variance in the total cost of services and net cost of services was primarily due to an increase in salary costs.

Capital contribution

Significant variances between estimate and actual for 2011

No significant variance in Capital contribution

Significant variances between actual results for 2010 and 2011

	2011 \$000	2010 \$000	Variance \$000
Capital contribution	419	255	164

Capital funding increased in line with the Office's information technology upgrade program.

Administered income

Significant variances between estimate and actual for 2011

No significant variance in administered income.

Significant variances between actual results for 2010 and 2011

	2011 \$000	2010 \$000	Variance \$000
Administered income	0	169	(169)

In 2009-10 the Office became subject to a net appropriation determination. As a result audit fees that had previously been disclosed as administered items are now retained by the Office and reported in the controlled statements.

Notes to Financial Statements

For the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Financial instruments held by the Office are cash and cash equivalents, restricted cash and cash equivalents, receivables, and payables. The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below

Credit risk

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets as shown in the table at note 30(c) 'Financial instruments disclosures' and note 16 'Receivables'.

Credit risk associated with the Office's financial assets is minimal because the main receivables are the amounts receivable for services (holding account) and accrued audit revenue. The Office does not have any significant credit risks as services are provided only to government agencies. In addition, receivable balances are monitored on an ongoing basis with the result that the Office's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due.

The Office is exposed to liquidity risk through its trading in the normal course of business.

The Office has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

	2011	2010
	\$000	\$000

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income or the value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks. The Office is not exposed to interest rate risk because all cash and cash equivalents are non-interest bearing, and the Office has no borrowings.

(b) Categories of financial instruments

In addition to cash the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

Financial Assets

Cash and cash equivalents	2 577	2 361
Restricted cash and cash equivalents	266	175
Loans and receivables ^(a)	7 159	6 181
	<u>10 002</u>	<u>8 717</u>

Financial Liabilities

Financial liabilities measured at amortised cost	1 065	732
	<u>1 065</u>	<u>732</u>

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

Notes to Financial Statements

For the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONT)

(c) Financial instrument disclosures

Credit risk and interest rate exposures

The following table discloses the Office's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Office's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table is based on information provided to senior management of the Office.

The Office does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

The Office does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Interest rate exposures of financial assets^(a)

	Carrying Amount \$000	Non-interest bearing \$000
Financial Assets		
2011		
Cash and cash equivalents	2 577	2 577
Restricted cash and cash equivalents	266	266
Receivables ^(b)	5 820	5 820
Amounts receivable for services	1 339	1 339
	10 002	10 002
2010		
Cash and cash equivalents	2 361	2 361
Restricted cash and cash equivalents	175	175
Receivables ^(b)	5 067	5 067
Amounts receivable for services	1 114	1 114
	8 717	8 717

(a) The Office has not included an ageing analysis as it has no financial assets past due.

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

Liquidity risk

The following table details the contractual maturity analysis for financial liabilities. The table includes interest and principal cash flows. An adjustment has been made where material.

Interest rate exposure and maturity analysis of financial liabilities

	Interest rate exposure		
	Carrying Amount \$000	Non-interest bearing \$000	Maturity date up to 3 months \$000
Financial Liabilities			
2011			
Financial liabilities measured at amortised cost	1 065	1 065	1 065
	1 065	1 065	1 065
2010			
Financial liabilities measured at amortised cost	732	732	732
	732	732	732

Interest rate sensitivity analysis

The Office has no financial assets or liabilities subject to interest rate movements.

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Notes to Financial Statements

For the year ended 30 June 2011

31. REMUNERATION OF SENIOR OFFICERS

The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

	2011	2010
\$130 001 – 140 000	0	2
\$140 001 – 150 000	2	3
\$160 001 – 170 000	2	0
\$170 001 – 180 000	2	0
\$200 001 – 210 000	0	1
\$230 001 – 240 000	1	0
\$330 001 – 340 000	0	1
\$350 001 – 360 000	1	0
	\$000	\$000
Total remuneration of senior officers	1 551	1 237

The total remuneration includes the superannuation expense incurred by the Office in respect of senior officers.

	2011 \$000	2010 \$000
--	---------------	---------------

32. REMUNERATION OF AUDITOR

An independent auditor is appointed by the Governor under section 38(2) of the *Auditor General Act 2006* to audit the accounts, financial statements and performance indicators of the Office with the fee being paid by this Office. Remuneration in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements and key performance indicators	35	32
	35	32

33. RELATED BODIES

The Office did not have any related bodies during the financial year.

34. AFFILIATED BODIES

The Office did not have any affiliated bodies during the financial year.

35. SPECIAL PURPOSE ACCOUNTS

The Office did not have any special purpose accounts at the end of the financial year.

36. SUPPLEMENTARY FINANCIAL INFORMATION

(a) Write-offs

During the financial year, nil (2010: \$1 304) was written off the Office's asset register under the authority of

The accountable authority	0	1
The Minister	0	0
Executive Council	0	0
	0	1

Notes to Financial Statements

For the year ended 30 June 2011

	2011	2010
	\$000	\$000

37. DISCLOSURE OF ADMINISTERED INCOME AND EXPENSES

COST OF SERVICES

Expenses

Receipts paid into Consolidated Account ^(a)	0	169
Net assets transferred to controlled	0	4 765
Total administered expenses	0	4 934

Income

Fees for audit services ^(a)	0	169
Total administered income	0	169

(a) During 2009-10 the Office's net appropriation determination was amended and as a result the Office no longer has any administered income and expenses.

38. ADMINISTERED ASSETS AND LIABILITIES

Current Assets

Cash and cash equivalents	0	0
Receivables and accrued fees	0	0
Total administered assets	0	0

Current Liabilities

GST Payable	0	0
Total administered liabilities	0	0

During 2009-10 the Office's net appropriation determination was amended and as a result the Office no longer has any administered assets and liabilities.

Certification of Performance Indicators

For the year ended 30 June 2011

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of the Auditor General's performance, and fairly represent the performance of the Office for the financial year ended 30 June 2011.



COLIN MURPHY
ACCOUNTABLE AUTHORITY

29 July 2011

Key Performance Indicators

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

Our desired outcome, 'an informed Parliament on public sector accountability and performance', is linked to the government goal Financial and Economic Responsibility – *Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.*

Key Effectiveness Performance Indicators

The key effectiveness performance indicator is:

The extent that the Office of the Auditor General is effective in informing Parliament about public sector accountability and performance, measured by the number of tabled reports compared to target and the following categories of matters about which Parliament has been informed.

- Service delivery
- Economic development
- Social and environment
- Governance

Table 14 shows our actual result for the preceding two years, and our performance against the 2010-11 target. A key element of this key performance indicator is the establishment of a three year target for each category of report. As this indicator was new for 2009-10, performance against the three-year target will not be evident until 2011-12. While the Office aims to meet its report target, we are also concerned with the quality of our reports and will not sacrifice this requirement in order to achieve a quantitative measure.

Report Type	2008-09 Actual	2009-10 Actual	2010-11 Actual	2010-11 Target	Target over 3 years
Service delivery	2	3	2	4	12
Economic development	4	2	1	3	9
Social and environment	3	1	2	4	11
Governance	8	14	10	7	22
Year Total	17	20	15	18	54

Table 14

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

Key Performance Indicators

Key Efficiency Performance Indicators

The key efficiency performance indicators measure the overall efficiency in delivering the Office's service 'Public sector auditing'.

Our key efficiency performance indicators are:

- Total audit cost per million dollars of gross government expenditure
- Attest (annual assurance) audit cost per million dollars of gross government expenditure
- Performance audit cost per million dollars of gross government expenditure.

Efficiency Indicator	2008-09 Actual	2009-10 Actual	2010-11 Actual	Target 2010-11
Total audit cost per \$m of gross government expenditure	\$579	\$519	\$509	\$571
Attest (annual assurance) audit cost per \$m of gross government expenditure	\$434	\$389	\$382	\$428
Performance audit cost per \$m of gross government expenditure	\$145	\$130	\$127	\$143

Table 15

The gross government expenditure value incorporates total public sector expenditure together with expenditure by universities, superannuation boards and other entities whose expenditure is not reported within government expenditure in the annual Budget Statements.

The audit costs used to calculate the key efficiency indicators are extracted from the Office's Financial Management Information System. The proportion of total cost assigned to attest and performance audits is based on recorded direct hours charged to audits and an activity based allocation of Office overhead. The estimated actual total public sector expenditure from the Budget Statements is used rather than actual total public sector expenditure as the actual results are not available at the time these key performance indicators are produced. The estimated actual is considered a reasonable estimate of total public sector expenditure.

The additional expenditure information to form gross government expenditure is sourced from the annual reports of the universities (who report on a calendar year) or direct from the relevant agency. The increase in government expenditure in 2010-11 was not matched by a proportional increase in expenditure of the Office. This resulted in lower total audit costs per million dollars of gross government expenditure.

Disclosures and Legal Requirements



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Other governance disclosures....pg 75



Statements of compliance....pg 76-77



Occupational safety and health and injury management....pg 79



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Other Disclosures

Other financial disclosures

Pricing policies

The Office's fee model invoices agencies only for financial audits, although our fees incorporate a loading to recover one-third of our compliance and controls audit work.

The fees are based on the hours required to do each financial audit. Where a contractor conducts the audit on the Office's behalf, the Office's fees are based on the contractor's fees.

The model also assumes:

- full recovery of identified overheads with these costs being spread over all financial audit engagements
- annual adjustment for inflation and cost pressures arising from salary increases and other expenses.

Capital works

During 2010-11 the Office continued with its ongoing asset replacement program. We completed a small upgrade of our servers (\$50 000) providing additional processing capacity and fail-over resilience. During the year we also purchased 160 new laptop computers (\$242 000) with the latest version of Microsoft applications, which has given our staff the technological support they need to meet the desired outcomes of this Office.

As part of the Office's commitment to service delivery, we installed a security device upgrade (\$20 000) over our network to increase our intrusion detection capability. We also implemented a new tape backup system (\$18 000) during the year which has reduced network backup times and strengthened our disaster recovery capabilities.

Employees

Employee disclosures are outlined in the 'Managing Our Office' section from page 32 to 39.

Other governance disclosures

Senior officers

At the date of reporting, other than normal contracts of employment of service, no senior officers, or firms of which senior officers are members, or entities in which senior officers have any substantial interests, had any interests in existing or proposed contracts with the Office and senior officers.

Other employment

Under Schedule 1, Clause 3 of the AG Act, the Auditor General must not, except so far as authorised by law or by resolutions of both Houses of Parliament, hold certain offices, places or positions referred to in the *Constitution Acts Amendment Act 1899*. The Schedule also prohibits the Auditor General from engaging in any paid employment outside the duties of the Office of the Auditor General.

At no time while acting as the Auditor General or since my appointment to that Office have I engaged in any paid employment outside the duties of my Office. I am also a member of the State Records Commission, as authorised by the State Records Act 2000, section 58n(a) – Colin Murphy.

Other Legal Requirements

Statement of Compliance with *Disability Services Act 1993*

The Office of the Auditor General is committed to ensuring that people with disabilities have the same access to our services, information and facilities by implementing the strategies and initiatives identified in the Office's Disability Access and Inclusion Plan (DAIP) through the six desired outcomes:

- Outcome 1:** People with disabilities have the same opportunities as other people to access our services and events.
- Outcome 2:** People with disabilities have the same opportunities as other people to access our offices.
- Outcome 3:** People with disabilities receive information from us in a format that will enable them to access the information as readily as other people.
- Outcome 4:** People with disabilities receive the same level and quality of service from our employees as other people receive.
- Outcome 5:** People with disabilities have the same opportunities as other people to make referrals to us.
- Outcome 6:** People with disabilities have the same opportunities as other people to participate in any public consultation we may carry out.

The following strategies were progressed by the Office in 2010-11:

- incorporated the objectives of the DAIP into our strategic business planning, budgeting processes, procedures and policies
- ensured that our signage is clear and easy to read and that our Office is accessible and meet the legislative and access standards for accessibility
- continued to ensure that, when requested, specialist support is made available at meetings with the client

- provided alternative formats for reports on our new website, such as large print options
- improved employee awareness of disability and access issues by promoting through induction programs and publishing the DAIP on the intranet
- continued to provide the services of a speech therapist to assist employees with their English pronunciation skills
- renewed our subscription with the online Macquarie Dictionary, which allows employees access to an English pronunciation tool.

Our 2010-11 strategies will continue throughout the next financial year and we have also commenced with the review of our DIAP, which is due for renewal in 2011. This review will take into account the Disability Service Commission's best practice advice in compiling the new DIAP. The review will be completed in the second half of 2011.

Statement of Compliance with *Electoral Act 1907* section 175ZE (Advertising)

In accordance with section 175ZE of the *Electoral Act 1907*, this Office is required to report on expenditure incurred during the financial year in relation to advertising. Expenditure during 2010-11 related to advertising for job vacancies; the conduct of agency and parliamentary surveys; the Office's contribution to the macro benchmarking survey of the Australasian Council of Auditors General (ACAG); and focus group research for performance audits. The details are as follows:

Advertising agencies	
Adcorp Marketing Communications	\$5 143
Market research organisations	
Orima Research Pty Ltd	\$51 926
Total Expenditure	\$57 069

Other Legal Requirements

Statement of Compliance with the *State Records Act 2000*, Section 61 and State Records Commission Standards, Standard 2, Principle 6

The Office of the Auditor General has a five-year Recordkeeping Plan that was approved by the State Records Commissioner in October 2008. The Commission stated that the amended plan *“demonstrates progress towards better practice recordkeeping and compliance with the minimum requirements of SRC Standards 2: Recordkeeping Plans and SRC Standards 6: Outsourcing”*.

The Plan will be reviewed again in two years' time and a report of the review is to be submitted to the State Records Office by 10 October 2013.

This year we again utilised a generic online training tool specifically to address the broader topic of Records Awareness Training. This self-paced innovative learning tool has also been completed by all staff. An important element of this training tool is the facility to provide reports that will identify knowledge gaps, allowing us to concentrate training in specific areas.

An updated version of TRIM (the Office's electronic documents and records management system) was introduced to the Office in 2011. Training was provided for all employees and a comprehensive instruction manual is available on our intranet. Training in the usage of TRIM is also included as part of our induction process and available to individual staff when required.

We have acquired software to enable us to monitor and report usage, which is used for reporting to Corporate Executive in order to assess staff use of TRIM and awareness of records management practices.

Statement of Compliance with the *Public Sector Management Act 1994* Section 31(1)

In the administration of the Office of the Auditor General, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and our Code of Conduct.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the above statement is correct.

The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

Number lodged:	nil
Number of breaches found, including details of multiple breaches per application:	nil
Number still under review:	nil

– **Colin Murphy**

Other Legal Requirements

OPSSC Good Governance Principles

The Office of the Auditor General is committed to good governance and adheres to the Office of the Public Sector Standards Commissioner's (OPSSC) Good Governance Guide.

The OPSSC Good Governance Guide outlines nine key governance principles. The following outlines the mechanisms we have in place to address these principles.

1. Government and public sector relationship

The *Auditor General Act 2006* clearly outlines the relationship between the Auditor General and the government and processes exist to ensure clear communication and interaction between this Office and parliamentary representatives.

2. Management and oversight

Our strategic plan clearly defines our goals and key objectives. The plan is developed to articulate our operational outcomes and outlines key initiatives, accountability and responsibilities to provide direction and measures to achieve in pursuit of our goals. (Refer to page 12 for an overview of our Strategic Plan 2011-2016).

3. Organisational structure

Accountability for deliverables is the responsibility of the Corporate Executive which comprises leaders from the five key operational and governance divisions. The relationship between these business units is clearly defined, yet flexibility exists to enable the Office to respond to structural change. (Refer to page 10 for the organisational and activities chart).

4. Operations

Operational plans are well documented and published on our intranet to provide all staff with information relating to specific work programs and progress towards initiatives designed to achieve organisational goals. The operational plan is reported to Corporate Executive quarterly and this provides the opportunity to review and confirm our initiatives are achieving the desired outcome.

5. Ethics and integrity

Ethical behaviour and integrity are core values that underpin our work and high standards are required of all employees. We manage this through a structured process of staff awareness, annual declaration of compliance by all staff and ongoing accountability and ethics training.

6. People

Workforce planning is a high priority for this Office and this includes strategies for retention and attraction as well as development of staff with the intent to build leadership capabilities to ensure personal growth of individuals and development of skills to benefit our organisation. (Refer to page 32 for details on our new Workforce Development Plan).

7. Finance

Our Office values accountability and efficiency and ensures financial processes are consistent with applicable accounting standards. Formal structures exist to monitor financial performance against internal budgets, WA Government budget statements and key strategic goals of the Office, including monthly reporting to Corporate Executive on all aspects of performance.

8. Communication

Internal policies exist to provide direction on communication processes to ensure information is disseminated efficiently and effectively. Clear guidelines are maintained in relation to external communication with Parliament and the media particularly in regards the tabling of our reports to Parliament.

9. Risk Management

We have developed a Risk Management Practice Framework which outlines the policies and processes in regards management of risk. Preventative measures are in place for key risk categories and a Business Continuity Plan exists and is monitored for currency and relevance on a regular basis.

The Risk Management Committee reports regularly to the Corporate Executive, including identified risks and their status. Risk management is included in the induction process of all new staff and reinforced to all staff through our quarterly Office Forums.

Government Policy Requirements

Occupational safety and health and injury management

The Office of the Auditor General is committed to providing and maintaining a safe and healthy work environment for all employees and visitors to our Office and acknowledges its responsibilities under the *Occupational Safety and Health Act 1984* and the *Workers' Compensation and Injury Management Act 1981*. Policies and procedures on Occupational Safety and Health (OSH) and Injury Management are available to all employees on the intranet.

In 2010-11 no injuries or fatalities were recorded.

Consultation

The Office supports a consultative environment whereby managers, employees, safety and health representatives, and other stakeholders, work together to identify and resolve any Occupational Safety and Health (OSH) issues in the workplace. Our employees are encouraged to be proactive in identifying potential hazards as well as suggesting improvements to OSH practices and procedures. All new employees receive an induction which clearly defines their obligations and responsibilities under the OSH and injury management policies. This is also discussed at the quarterly Office Forums.

During 2010-11, the Office engaged the services of an Employee Assistance Program, provided an annual vaccination program and ergonomic assessments for employees on request.

Injury management

The Office has established an Injury Management policy which outlines the steps to be taken to assist a worker to return to work following a work related injury or illness. Its focus is on a safe and early return to meaningful work in accordance with the *Workers' Compensation and Injury Management Act 1981*. This policy is made available to our employees on the Office intranet.

Self evaluation

We currently have an Office Consultative Committee and an active Risk Management Committee through which our employees can report any concerns of a safety and health perspective.

This year, a review of our safety and injury management practices established that this Office currently has a high regard for the safety and wellbeing of employees and a range of policies and practices in place to address Occupational Safety and Health (OSH) issues. The Office maintains a general focus on safety of employees and is responsive to individual safety issues as they arise. Improvements can however be made in the following areas:

- Formal approach to OSH Management – the current information for employees is contained within internal office policies, procedure guides and on the intranet, however having a single source document containing all relevant information is instrumental in ensuring a single access point to important OSH information.
This document is currently being prepared and will form part of the induction process for all new employees.
- Education and Training – the Office currently falls below the public sector target of managers with appropriate OSH training.

A customised OSH training program for all staff and managers has been developed and will be available to all staff early in 2011-12.

Government Policy Requirements

Annual Performance

Table 16 details our 2010-11 key performance indicators against the following targets:

Workers' compensation key performance indicators/targets		
Indicators	2010-11 Targets	2010-11 Results
Number of fatalities	0	0
Lost time injury/diseases (LTI/D) incident rate	0 or 10% reduction on previous year	0
Lost time injury severity rate	0 or 10% improvement of previous year	0
Percentage of injured workers returned to work within 28 weeks	100%	NA
Percentage of managers trained in occupational safety, health and injury management responsibilities	Greater than or equal to 50%	8%

Table 16

We are aware of the importance of adequately training all staff in OSH and injury management and throughout this year we have provided training and information sessions to all staff through our professional development program. However, the percentage of our managers trained in OSH and injury management is well below our 2010-11 target.

We have recently finalised a customised online OSH and injury management training package, which includes two modules; one for managers and the other for all the remaining employees. This will be conducted for all employees in 2011-12.

How We Choose Our Performance Audit Topics

The Office conducts year-round environmental scans to identify potential topics for performance audits.

Each year we also receive many enquiries, referrals (expressions of concern) and requests for special investigations from Members of Parliament and the public, primarily in relation to the actions of a public sector agency or management of public resources.

Our audits are conducted in an objective and ethical manner, with full regard to confidentiality and in accordance with our audit practice requirements. Importantly, all the information received through requests for special investigations, expressions of concern and public interest disclosures is used to assist us in identifying topics for future audits.

In keeping with the Auditor General's independence, we have systems in place to ensure that a decision to audit a matter is made with proper consideration of the relative merits of an audit. The figure below shows our topic selection framework.

Around April each year we establish our intended 12 month audit program. This program along with other topics under consideration is sent to the Public Accounts Committee and the Estimates and Financial Operations Committee for comment.

Soon after, we meet with both Committees to discuss the program and any other matters of concern.

Topics for performance audits are carefully and strategically selected against a range of criteria, including risk, materiality and resourcing implications. The Office needs to provide Parliament with assurance across the broad spectrum of public sector operations. Particular regard is given to requests from Parliament.

The topic criteria are:

Economic materiality (as well as financial): is there substantial public money or resources involved?

Impact (social, environmental): is there strong community interest in the topic? Is there potential for the report to have a positive impact on the community? What will be the overall estimated audit impact?

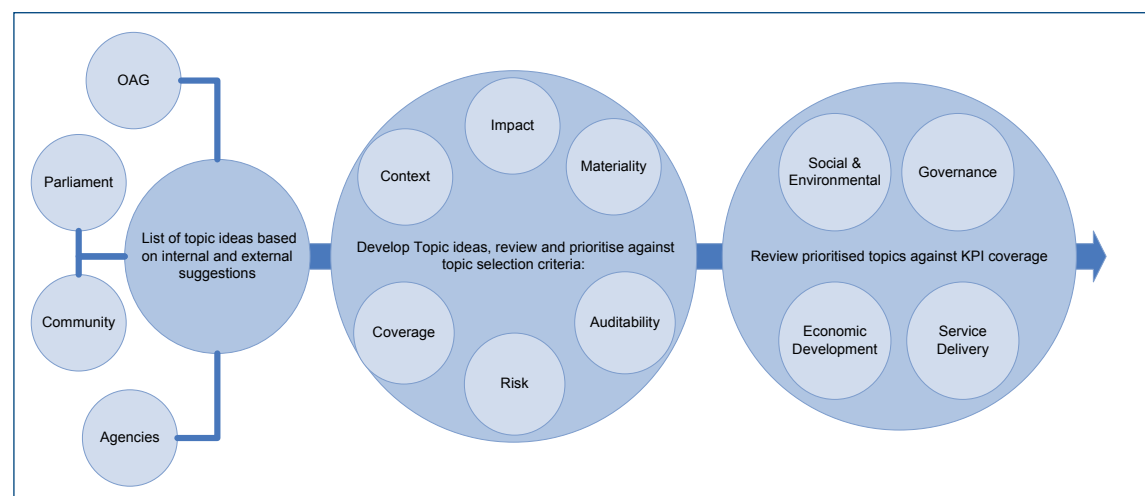
Risk: if there were performance problems, what would be the overall risk to the community? (Indicators might be that problems have already been identified in the media; there are proxy indicators of problems such as high staff turnover; or program has changed significantly or undergone sudden expansion). Does the program address a significant area of agency's legislative mandate or the agency's activities?

Coverage: what has been the coverage of the topic? Is it the 'right' time to do a review in this area?

What is the program visibility (political sensitivity, national importance)?

Context: Is there possibility for sector-wide efficiency, effectiveness or accountability improvement? How does the topic and agency selection fit into our previous coverage of the public sector?

Auditability/Efficiency: Can it be audited with a level of resources that match the impact and materiality of the topic or will it take disproportionate resources for limited benefit? Is the area amenable to audit – does information exist and do analytical tools exist? Can a past methodology be used or will the methodology be reusable?



Audit Clients

at 30 June 2011

Audits under *Financial Management Act 2006*

Departments

Commissioner for Equal Opportunity
*Department for Child Protection
*Department for Communities
*Department of Agriculture and Food
*Department of Commerce
*Department of Corrective Services
*Department of Culture and the Arts
*Department of Education
Department of Education Services
*Department of Environment and Conservation
*Department of Fisheries
*Department of Health
Department of Housing
*Department of Indigenous Affairs
Department of Local Government
*Department of Mines and Petroleum
Department of Parliamentary Services
*Department of Planning
*Department of Racing, Gaming and Liquor
Department of Regional Development and Lands
Department of Sport and Recreation
*Department of State Development
*Department of the Attorney General
Department of the Legislative Assembly
Department of the Legislative Council
*Department of the Premier and Cabinet

Department of the Registrar, Western Australian Industrial Relations Commission
*Department of Training and Workforce Development
*Department of Transport
*Department of Treasury and Finance
Department of Water
Governor's Establishment
Mental Health Commission
Office of Energy
Office of Environmental Protection Authority
Office of the Commissioner for Children and Young People
Office of the Director of Public Prosecutions
Office of the Information Commissioner
Office of the Inspector of Custodial Services
Office of the Public Sector Standards Commissioner (Final Audit)
Parliamentary Commissioner for Administrative Investigations
*Public Sector Commission
*Western Australian Police Service
Western Australian Electoral Commission

Statutory authorities

Agricultural Practices Board of Western Australia
Agricultural Produce Commission
Animal Resources Authority
Armadale Redevelopment Authority
Botanic Gardens and Parks Authority
Building and Construction Industry Training Board
Bunbury Water Board

Busselton Water Board
*Central Institute of Technology
*Challenger Institute of Technology
Chemistry Centre (WA)
Coal Industry Superannuation Board
*Commissioner of Main Roads
Construction Industry Long Service Leave Payments Board
Corruption and Crime Commission
Country High School Hostels Authority
Country Housing Authority
Curriculum Council
*Curtin University of Technology
C Y O'Connor Institute
*Disability Services Commission
Durack Institute of Technology
East Perth Redevelopment Authority
Economic Regulation Authority
*Edith Cowan University
*Fire and Emergency Services Authority of Western Australia
Fire and Emergency Services Superannuation Board
*Forest Products Commission
Gaming and Wagering Commission of Western Australia
Gascoyne Development Commission
*Gold Corporation
Goldfields-Esperance Development Commission
*Government Employees Superannuation Board
Great Southern Development Commission
Great Southern Institute of Technology

Health and Disability Services Complaints Office, formerly Office of Health Review
Heritage Council of Western Australia
*Housing Authority
*Insurance Commission of Western Australia
Keep Australia Beautiful Council (WA)
Kimberley Development Commission
Kimberley TAFE
Landcare Trust
Law Reform Commission of Western Australia
Legal Aid Commission of Western Australia
Legal Contribution Trust
Legal Costs Committee
Local Health Authorities Analytical Committee
*Lotteries Commission
Metropolitan Cemeteries Board
Midland Redevelopment Authority
Mid West Development Commission
Minerals and Energy Research Institute of Western Australia
*Murdoch University
Parliamentary Inspector of the Corruption and Crime Commission
Peel Development Commission
Perth Market Authority
Perth Theatre Trust
Pilbara Development Commission
Pilbara TAFE
*Polytechnic West
Potato Marketing Corporation of Western Australia
Professional Combat Sports Commission
Professional Standards Council

Audit Clients

at 30 June 2011

*Public Transport Authority of Western Australia
*Public Trustee
Quadriplegic Centre Board
*Racing and Wagering Western Australia
Racing Penalties Appeal Tribunal of Western Australia
Real Estate and Business Agents Supervisory Board (Final Audit)
*Rottnest Island Authority
Rural Business Development Corporation
Screen West (Inc.)
Settlement Agents Supervisory Board (Final Audit)
Small Business Development Corporation
South West Development Commission
South West Institute of Technology
State Government Insurance Corporation
State Supply Commission
Subiaco Redevelopment Authority
Swan Bells Foundation Inc
Swan River Trust
The Aboriginal Affairs Planning Authority
The Agriculture Protection Board of Western Australia (Final Audit)
The Anzac Day Trust
The Board of the Art Gallery of Western Australia
The Burswood Park Board
The Coal Miners' Welfare Board of Western Australia
The Library Board of Western Australia
*The Minister for Health in his capacity as the Deemed Board of Metropolitan Public Hospitals

The National Trust of Australia (WA)
The Queen Elizabeth II Medical Centre Trust
*The University of Western Australia
The Western Australian Museum
Trustees of the Public Education Endowment
*WA Country Health Service
West Coast Institute of Training
Western Australian Alcohol and Drug Authority
Western Australian Building Management Authority
Western Australian Coastal Shipping Commission
Western Australian Energy Disputes Arbitrator
Western Australian Greyhound Racing Association
Western Australian Health Promotion Foundation
Western Australian Institute of Sport
*Western Australian Land Information Authority
Western Australian Meat Industry Authority
Western Australian Planning Commission
Western Australian Sports Centre Trust
*Western Australian Tourism Commission
*Western Australian Treasury Corporation
Wheatbelt Development Commission
WorkCover Western Australia Authority
Zoological Gardens Authority

Subsidiaries

ECU Resources for Learning Ltd
GESB Wealth Management Pty Ltd
Homeswest Loan Scheme Trust

Innovative Chiropractic Learning Pty Ltd
Intergrain Pty Ltd
Keystart Bonds Limited
*Keystart Housing Scheme Trust
Keystart Loans Limited
Keystart Support (Subsidiary) Pty Ltd (Dormant)
Keystart Support Pty Ltd (Dormant)
Keystart Support Trust
MS Biotechnology Pty Ltd (Dormant)
Murdoch Investments Company Pty Ltd
MurdochLink Pty Ltd
Murdoch Retirement Services Ltd
Murdoch University Foundation
Murdoch University Veterinary Centre Trust
Murdoch Ventures Pty Ltd
The University Club of Western Australia Pty Ltd
The University Company Pty Ltd (Dormant)
WA Mint Pty Ltd (Dormant)
Wind Energy Corporation Pty Ltd (Dormant)

Request audits

Medical Board of Western Australia (Final Audit)
SB Investment Trust
Sir Charles Gairdner Foundation Trust
Sir Charles Gairdner Research Foundation Inc
South West Cogeneration Joint Venture
Tertiary Institutions Service Centre (Inc)
The Director of Legal Aid and Others in Trust (Inactive)
The Government House Foundation of Western Australia (Inc)

Audits under other legislation

Cemeteries

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

Port authorities

Albany Port Authority
Broome Port Authority
Bunbury Port Authority
Dampier Port Authority
Esperance Port Authority
*Fremantle Port Authority
Geraldton Port Authority
Port Hedland Port Authority

Other legislation

*Annual Report on State Finances
*Horizon Power
Independent Market Operator
*Synergy
*Verve Energy
*Water Corporation
*Western Australian Land Authority
*Western Power – Networks

*Major audit clients

Glossary

Accountability is traditionally established when Parliament confers responsibility on public sector agencies to account through a Minister of the Crown for all that is done in the exercise of their authority, the manner in which it is done and the ends sought to be achieved.

Accrual Accounting provides information on revenue earned and expenditure incurred in an accounting period irrespective of when actual cash transactions occur (ie when money is received or paid). It also involves accounting for the portion of assets consumed and liabilities incurred during the period and provides a summary of the net worth of the entity at the end of the reporting period.

Agency means a department, a sub-department or a statutory authority.

Annual Report on State Finances is a report prepared in accordance with the *Government Financial Responsibility Act 2000* that provides the State's public sector financial results for the financial year and outlines material differences between these results and the financial projections contained in the State Budget for that financial year.

Assurance Audit is work performed to enable an opinion to be expressed regarding a report about financial or performance matters prepared by the party who is accountable for the financial transactions or the performance summary.

Audit includes to examine, investigate, inspect and review.

Auditor General's Report is the vehicle used to report to Parliament the results of audits and examinations conducted under sections 12 to 20 of the *Auditor General Act 2006*.

Australian Equivalents to International Financial Reporting Standards (AIFRS) are Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are equivalent to Accounting Standards issued by the International Accounting Standards Board (IASB).

Compliance Audits focus on financial administration and management issues with the objective of identifying opportunities for improving agencies' operational performance, accountability, use of resources and compliance with legislation.

Corporatised Entities operate under enabling legislation in a similar manner to companies under the *Corporations Act 2001*.

Department means a body established or deemed to have been established under the *Public Sector Management Act 1994*.

Direct Reporting is an examination resulting in a written report being prepared where the party responsible for the matter examined has not been significantly involved in initiating or preparing the report.

Effectiveness Indicators are key performance indicators that provide information on the extent to which agency level government desired outcomes have been achieved, or contributed to, through the delivery of services.

Efficiency Indicators are key performance indicators that generally relate services to the level of resource inputs required to deliver them.

Entrance Interviews are formal meetings with senior management of agencies and other entities conducted during the audit planning phase to provide the opportunity to canvass with management issues of importance and to explore the proposed audit emphasis and areas of coverage.

Exit Interviews are formal meetings with senior management of agencies and other entities at the penultimate stage of audits and examinations to confirm understandings and to explain audit findings and conclusions.

Financial Statements are a presentation of financial information including explanatory notes derived from accounting records to communicate for a period of time an agency's or entity's financial performance and cash flows, and at a point of time its financial position.

Follow-up Audit Performance Audits are routinely followed up two to three years after tabling to review what has been done. A **Follow-on Audit** is a more extensive follow-up audit where a topic still has significant importance and relevance.

Key Performance Indicator (KPI) is information about critical or material aspects of service performance or outcome achievement.

Key Performance Indicator Audit is work performed to enable an opinion to be expressed about whether or not the key performance indicators are relevant and appropriate having regard to their purpose and fairly represent indicated performance.

Management Letter is a letter to senior management of an agency or other entity that conveys the significant audit findings and result of an audit.

Materiality is the magnitude of an omission or misstatement of accounting or performance information that, in the light of context or circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced.

Matters of Significance (MoS) are the 'key messages' in Auditor General's reports. 'Key messages' are defined as the issues a general Parliamentary reader would take away from the report after the detail of specific findings and recommendations has receded into the background.

Modified Audit Opinion is expressed when, based on the audit evidence obtained, or where sufficient appropriate audit evidence is unable to be obtained, the financial statements are not free from material misstatement, or where the key performance indicators are not relevant or appropriate or do not fairly represent indicated performance, or where controls are inadequate.

Outcomes are the effect, impact, result of or consequence for the community, environment or target clients of government services.

Performance Audits (PA) is work performed in examining the accountability, efficiency and effectiveness of public sector agencies or specific areas within an agency or across a number of agencies.

Service means the supply of an activity or good to a user external to the entity providing the service. Services comprise programs and outputs.

Significance is the relative importance in the circumstances, in relation to audit objectives, of an item, event or information, or problem the auditor identifies.

Statutory Authority means a person or body specified in Schedule 1 of the *Financial Management Act 2006*. These agencies are established by Parliament under legislation for specified purposes.

Sub-department means an entity in respect of which a declaration under section 56(2) of the *Financial Management Act 2006* has effect.

Treasurer's Instructions are prescribed requirements at a minimum level with respect to matters of financial administration that have the force of law and must be observed by public sector agencies under the *Financial Management Act 2006*.

Unmodified Audit Opinion is expressed when the audit concludes, based on the audit evidence obtained, that, in all material respects, the financial statements are free from material misstatement, the key performance indicators are relevant and appropriate and fairly represent indicated performance, or where controls are adequate.

Working Papers are documents that record the auditor's planning, the audit procedures performed, the auditor's findings and the conclusions drawn from the audit evidence obtained.

Office Directory

at 18 August 2011

Auditor General's Office

Colin Murphy	9222 7501
Auditor General	
Peta Mullane	9222 7502
Executive Officer	
Glen Clarke	9222 7543
Deputy Auditor General	
Molly Elympos	9222 7506
Executive Assistant	

Assurance Services

Don Cunninghame	9222 7526
Assistant Auditor General	
Peter Sparkes	9222 3906
Director	
Vince Turco	9222 7515
Director	
Patrick Arulsingham	9222 3944
Director	

Compliance and Information Systems Audit

Colin Campbell	9222 3937
Assistant Auditor General	
Peter Bouhlas	9222 7522
Director, Information Systems	
Alan Charlton	9222 7523
Director, Compliance Audit	

Performance Audit

Jason Beeley	9222 7579
Assistant Auditor General	
Linda Barker	9222 3902
Director	
Sue Paterson	9222 3920
Director	
Sue Robinson	9222 7540
Director	

Standards and Quality

Michelle Shafizadeh	9222 3939
Assistant Auditor General	
Ian Goldsmith	9222 7559
Director, Financial Audit Advisory	
Heath Flanagan	9222 7582
Manager, Key Performance Indicator Advisory	
John Stanley	9222 3928
Director, Financial Reporting Advisory	
Peter McCann	9222 7545
Director, Performance Audit Advisory	

Strategy, Policy and Corporate Services

Sadie Godfrey	9222 7557
Assistant Auditor General	
Thelma Fermo	9222 7504
Executive Assistant	
James Dew	9222 3943
Manager, Financial and Administrative Resources	
Vince Partridge	9222 7508
Manager, Information Resources	
Rachel Edwards	9222 7558
Manager, Communications	
Mandy Murray	9222 7564
Manager, Workforce and Development Branch	

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