

Annual Report 2012–2013



PROCEDURES METHODOLOGY FACTS FIGURES QUALITY
AUDIT AUDITORS FINANCE PERFORMANCE PEOPLE
ASSURANCE ATTEST CONTROLS OPINIONS **EXCELLENCE**
TRANSPARENCY STATEMENTS FINANCIAL KEY PEOPLE
INDICATORS REPORTS MISSION COMPLIANCE ASSETS
BENCHMARKING PROFESSIONAL VISION STRATEGIC
VALUES EFFECTIVENESS EFFICIENCY DISCLOSURES
INCOME **AUDITING** INTEGRITY INDEPENDENCE TOPIC
SELECTION WATCHDOG AGENCY ACTS HISTORY LAWS

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PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

OUR REPORT

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 2013. It is not a report on the results of audits conducted, as this information is tabled in Parliament separately.

This report has been presented with an introduction that outlines the role, function and strategic direction of our Office. It is then divided into the four key result areas of our Strategic Plan 2011-16: Our Business Performance Our Clients, Our Products and Services and Our People. This is followed by our Financial Statements and Other Disclosures.

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

National Relay Service
TTY: 13 36 77
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On request this report may be made available in an alternative format for those with visual impairment.

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ISSN: 1320-6818

THE PRESIDENT
LEGISLATIVE
COUNCIL

THE SPEAKER
LEGISLATIVE
ASSEMBLY

ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2013

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 2013.

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
15 August 2013

Strategic Plan Snapshot 2012-13

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

This has been a successful year for our Office. Here are just a few achievements:

We had a **56 PER CENT INCREASE** in the number of graduates applying for positions with our Office (pg 58)

We delivered our **FIRST COLLABORATIVE AUDIT** concurrently with other Australian audit offices (pg 10)

100 PER CENT of our financial audit opinions were delivered on time (pg 26)

We launched an **INNOVATIVE NEW ONLINE REPORTING** framework via our website (pg 66)

91 PER CENT of our financial audit clients rated the value of our audit services as high or very high (pg 37)

Our **STAFF ATTRITION RATE FELL** to just over 11 per cent, which is a significant decrease from last year (pg 56)

We successfully tabled in Parliament **24 AUDIT REPORTS**, one report short of our target, but well on track to meet our three year rolling target (pg 27 and 42)

We had the first **TWO GROUPS GRADUATE** from our customised Leadership and Management program (pg 61)

97 PER CENT of MPs agreed that our reports dealt with matters of significance to Parliament (pg 36)

View a full progress summary of our Strategic Plan 2011-16 at Appendix 1, from page 128.

Contents

Auditor General's Overview **6**

Our Auditor General, Colin Murphy, provides a review of 2012–13, outlining some highlights as well as some challenges now and into the year ahead.

Highlights 2012-13 **10**

We have had a successful year with many notable achievements, all of which have assisted us in successfully progressing our Strategic Plan 2011-16.

Our Office **12**

This section outlines who we are, what we do, what we stand for, where we are heading and how we plan on getting there.

Significant Issues and Trends **21**

There were a number of challenges we faced throughout this year, some of which will continue into the new financial year. We continue to rise to meet these challenges head on.

Our Business Performance **23**

Our financial performance, together with our performance in producing reports and advice for Parliament and public sector entities, demonstrate our progress in achieving our vision of excellence in auditing for the benefit of Western Australians. Quality assurance, risk management, continuous improvement and our information systems and processes are all vital in ensuring positive business outcomes.

Our Clients **35**

Our key clients are Parliament, the government agencies of Western Australia and ultimately the community. Survey results and referrals from Members of Parliament, client agencies and the wider community give us a good indication of how we are tracking and where we can continue to improve.

Our Products and Services **41**

These include independent financial statement audits, performance audits, across government benchmarking audits, assurance reports, certifications and the sharing of knowledge and expertise. We provide a complete listing of our reports tabled in Parliament over 2012-13 and show how they fit with our performance indicators.

Our People **53**

We look at our workforce and discuss capacity, recruitment, attrition, professional development, wellness and social initiatives and communication. Our ability to attract and retain a skilled workforce is vital as we strive to meet emerging challenges.

Financial Statements **68**

This section provides comprehensive, independently verified statements of our budget, financial position, financial performance and our audited financial statements.

Contents

Other Disclosures 115

These include other financial disclosures, capital works expenditure and other standard disclosures around senior officers, employees and other employment.

Other Legal Requirements 117

These include statements of compliance with various Acts and the Public Sector Commission's Good Governance Principles.

Government Policy Requirements 125

This section outlines our occupational safety and health and injury management outcomes.

Appendix

Our Strategic Progress 128

We have a comprehensive Strategic Plan 2011-16 that provides us with the focus to deliver on our vision of 'Excellence in auditing for the benefit of Western Australians'. Here you will find a summary of our progress to date. Everything in this Annual Report links in with our Strategic Plan.

How we choose our performance audit topics 134

Our Office conducts year-round scans to identify potential topics for our performance audits. This is one of the most important things we do and this Appendix outlines exactly how we go about it.

Audit Clients 136

A complete listing of our financial audit clients at 30 June 2013.

Glossary 139

Not sure what something means? Find out here.

Index 141

Looking for something specific? Find it here.

Our History Inside

Over 180 years of audit in Western Australia.

back cover

Auditor General's Overview

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE



It has once again been a productive, varied and rewarding year for my Office.

With increasing demand for performance and financial audits it is imperative that we are strategic in our approach to delivering quality, trustworthy and accessible information. Much of our focus this year has been just that – further enhancing the efficiency and quality of what we do and how we do it.

Timely delivery of all financial audits

This year we achieved a 100 per cent success rate in completing the audits of agency financial statements, key performance indicators and controls in time for ministers to meet the legislated deadline for tabling of annual reports. In total 190 audit opinions were issued.

Next year we will need to issue 113 per cent more royalties for regions audit certifications, which will require considerable additional audit effort. In order to maintain our success rate in delivering the financial audits on time we have put a number of measures in place, including a new management structure and a more efficient delegation structure in our Assurance Services Division, which is so far demonstrating valuable efficiency gains.

Our Standards and Quality Division has also undergone some structural changes throughout the year in order to better support our financial auditors with technical quality and auditing standards guidance. This Division leads the development, implementation and monitoring of our Quality Assurance Plan, which this year included internal and external reviews of our audit engagement files, audit methodologies and our independence and audit policies.

Our Office recently underwent an external review of all our core divisions to identify operational improvement opportunities. This together with a new Office Efficiency and Effectiveness Plan will further guide our operations to meet increasing demands.

Auditor General's Overview

Performance audit topic selection success

In 2012-13, we submitted to Parliament 24 audit reports which identified key findings and made recommendations that aim to improve public sector performance in areas such as cost effectiveness, efficiency and regulatory and policy compliance.

The number of referrals my Office received from the public and from Members of Parliament (MPs) remained high with 90 new referrals received. Issues raised through referrals that can be examined by my Office are considered during our topic selection process.

In our annual survey of MPs, 97 per cent of respondents agreed that "Reports dealt with matters of significance to Parliament". This is positive indication that our topic selection process is working and we are choosing audit topics that are important to MPs.

Client satisfaction an ongoing challenge

While the results of our annual MP survey are consistently positive, we have seen a gradual decline in the overall satisfaction with our reports and services (83 per cent satisfied in 2012-13, down from 95 per cent in 2009-10).

This is an important indicator which we are continuing to monitor and address. We have in place a parliamentary liaison program that aims to increase awareness among MPs about the role of audit and what an audit can actually deliver.

This liaison and awareness was particularly vital following the election in March which saw long serving parliamentarians leaving and a high proportion of new members enter Parliament. The comprehensive briefings we delivered to new MPs and Parliamentary Committees were important in raising awareness of the Office, its role and functions and are an important part of our efforts to address any potential audit expectation gap.

We also conduct annual client agency surveys and while we received a record high agreement that our financial services make a valuable contribution, this year we also saw a decline in some of the responses in areas such as timeliness of our audit program and responsiveness of our audit staff. (Refer to page 36 for more survey information).

The results of these surveys play an important part in our ongoing continuous improvement and quality assurance efforts. We take into consideration all feedback, including areas of concern, when devising our forward audit program. I will be keeping a close eye on future survey results to ensure we promptly act on any emerging areas of concern.

First collaborative audit on a national issue

I was pleased this year to table in Parliament the results of my performance audit of the *Implementation of the National Partnership Agreement on Homelessness in Western Australia* (Report 13 – October 2012). Concurrently, a number of my fellow Auditors

Auditor General's Overview

General across Australia also looked at the implementation of the agreement in their jurisdictions. My Australasian Council of Auditors-General colleagues and I believe that if considered together, these reports offer, for the first time, a comprehensive view of this national partnership across the country.

The Australian National Audit Office (ANAO) is set to play an important role in the collation of these jurisdictional reports, better providing a full perspective on national issues. Working collegiately with other audit offices and the ANAO to provide both a local and national perspective on important issues will be something we do more of in the future.

Innovative new online reporting launched

In order to enhance the accessibility of our audit reports for our key stakeholders, namely Parliamentarians, agencies and the wider community, this year we introduced an innovative new way of delivering our reports using an online reporting framework via our website. This style of online reporting is a first for Australian public sector auditing and allows us to deliver our reports in a more dynamic and accessible manner. Feedback so far has been extremely positive and I look forward to further developing this concept over the next few months.

Impressive recruitment and leadership training outcomes

In line with our Workforce Development Plan, this year we further refined our graduate recruitment and induction program. As a result

the number of applications for our 2013 graduate intake exceeded our expectations with a 56 per cent increase in applicant numbers.

This year also saw the first two groups of senior staff graduate from our customised Leadership and Management training program. This investment aims to provide advanced leadership and management skills for all our leaders.

Our ability to attract, retain and develop the right people for our Office is particularly important as we strive to accommodate our increasing audit program and to meet emerging challenges.

Upcoming review of our Office and the Act

The Joint Standing Committee on Audit (JSCA) was formed late this year and although this was later than expected the committee has now commenced the process for the performance and legislative review of the Act and the performance of the Auditor General's functions.

My Office is subject to various independent audits, including peer reviews and external reviews. I highly value these reviews as they provide us with assurance that our processes are effective, efficient and evolving. As such, we are looking forward to working with the Committee to ensure it has all the information it requires to effectively conduct its review.

Auditor General's Overview

Acknowledgements

I take this opportunity to recognise and thank the executive team and our staff for their ongoing dedication throughout 2012-13. The fact that my Office can continually deliver important work that matters to Parliament, the public sector and the community is a direct reflection on the high standard of our workforce.

The information sharing and continuous improvement opportunities presented through my involvement with the Integrity Coordinating Group is something which I also value. This Group promotes integrity and better practice principles across the public sector, further communicating the work we each do as individual bodies. Thank you to the Public Sector Commissioner, Information Commissioner, Ombudsman and the Corruption and Crime Commissioner.

I also acknowledge the important working relationships I hold with my fellow Australasian Council of Auditors-General colleagues.

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



COLIN MURPHY PSM
AUDITOR GENERAL



Our AG received the 2013 IPAA Patron's Award

Our Auditor General, Colin Murphy, was awarded the prestigious Patron's Award at the 2013 Institute of Public Administration Australia WA Achievement Awards. This award is one of the highest accolades in public administration in Western Australia awarded to an individual who has made a significant contribution to the State.

The Hon Joe Francis, Minister for Emergency Services; Corrective Services; Small Business; Veterans, presented the prestigious award at the second annual IPAA WA Achievement Awards.

Highlights 2012-13

Innovative new online reporting

Late in 2012-13 we launched our new-look website at www.audit.wa.gov.au. An innovative feature of this website is our new online reporting platform, which allows us to move away from our traditional means of PDF delivery of reports to a truly online based format that allows better accessibility for our key stakeholders.

Some features of this new online reporting template include:

- the delivery of 'official' tabled report content in an easy to access tile format
- the provision of support/additional material outside the official tabled report content, including associated research, agency information, history, previous reports etc
- media articles and social media feeds
- ability to include videos, podcasts, interactive data and audio.

Collaborative audit – an Australian first

In late 2012, we tabled in Parliament the results of our performance audit of WA's implementation of the National Partnership Agreement on Homelessness. Concurrently, a number of the Auditors General across Australia also looked at the implementation of the agreement in their jurisdictions. Each of the audits is stand-alone and was independently conducted and tabled, however taken together, these reports have for the first time, offered a comprehensive view of this national partnership across the country.

Ongoing impact for our audit reports

Our audit reports continue to provide public sector agencies with recommendations and opportunities for greater accountability and performance. Five examples where our work has recently had an impact are:

- In mid-July, Government announced a significant investment in early childhood health services (\$58.5 million over four years). This followed the findings of our 2010 report, *Universal Child Health Checks*.
- In August, the Minister for Mines and Petroleum announced a new mining rehabilitation fund. This was in response to our Mining Conditions report tabled in 2011.
- In April 2013, Government announced greater support for victims of crime and the establishment of a Commissioner for Victims of Crime role. This followed our May 2012 report, *Victim Support Service: Providing assistance to victims of crime*.
- Government announced in early February its commitment to a Closed Circuit Television (CCTV) strategy for WA (\$13.5 million). In making the announcement, Police Minister Liza Harvey said she agreed with the report by the Auditor-General's Office in 2011 that CCTV planning was "piecemeal".

Highlights 2012-13

Award winning Annual Report 2011-12

The Western Australian division of the Institute of Public Administration Australia (IPAA) conducts the WS Lonnie Awards for Excellence in Annual Reporting each year. As an agency that values transparency, accountability and accurate reporting, we are delighted that our 2011-12 Annual Report won two awards:

- The Allan Skinner Trophy for the best annual report in the general government sector
- Gold in 'Category 2 – agencies with 101 to 1 000 FTE's' – for excellence in accountability and annual reporting.

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.

Leadership and Management Program successfully implemented

Last year we introduced a customised Leadership and Management Program for all Managers and Corporate Executive. This investment aims to provide advanced leadership and management skills for all our leaders, effectively resulting in a united approach to, and

common language of management for the Office. To date, a total of 42 employees have commenced the program, with another group approved to commence in 2014.

This year saw the first two groups successfully graduate from the program. Their program culminated in a graduation ceremony where each participant presented to Corporate Executive their 'change project', which had been developed using leadership and management concepts, skills and tools. These projects have an immediate return and directly benefit the Office as they focus on enhancing the efficiency and effectiveness of our business.

Graduate recruitment delivers above expectations

The number of applications for our 2013 graduate intake exceeded our expectations with a 56 per cent increase in applicant numbers. The quality from 2012 was maintained with a larger pool of applicants to choose from.

We were pleased to welcome eight new graduates to the Office in February 2013.

Our Office

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 that may erode that independence.

Mr Murphy was appointed to the role of Auditor General in June 2007. He 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

- delivering audit certifications
- conducting across government benchmarking audits on common business practices
- 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 and effectiveness 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 2012–13 we conducted annual financial statement audits of:

- 40 government departments
- 92 statutory authorities
- 15 corporate bodies
- 5 universities, their 8 subsidiaries and 10 state training providers
- 2 entities as requested by the Treasurer, 6 agency subsidiaries and 5 cemetery boards
- the Annual Report on State Finances for whole-of-government.

Information about our tabled reports is available on page 42.

Our Office

Our vision, mission and values

Our operations and professional relationships are built on the foundation of independence exercised with integrity and objectivity.

Our vision is *Excellence in auditing for the benefit of Western Australians*.

Our mission is *To improve public sector performance and accountability by reporting independently to Parliament*.

In achieving our vision, mission and 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.

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

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

- *Auditor General Act 2006*
- *Public Interest Disclosure Act 2003*
- *Corruption and Crime Commission Act 2003*
- *Contaminated Sites Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Occupational Safety and Health Act 1984*
- *Workers' Compensation and Injury Management Act 1981*
- *Electoral Act 1907*

Our Office

- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *State Records Act 2000*
- *Financial Management Act 2006*
- *Electronic Transactions Act 2011 and 2003*
- *State Supply Commission Act 1991*
- *Corporations Act 2001*
- *Corporations (Western Australia) Act 1990*

In performing its functions, the following laws have some impact on the Office of the Auditor General's activities:

- *Constitution Act 1889*
- *Constitution Act Amendment Act 1899*
- *Appropriation Acts*
- *Financial Agreement Act 1995*
- *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 a public sector department established to support the Auditor General. The Auditor General is an independent officer of Parliament, and as such reports directly to Parliament and ultimately the people of Western Australia, providing assurance about the efficient and effective delivery of services and the responsible management of the State's finances.

Desired Outcome	Service
An informed Parliament on public sector accountability and performance.	Public sector auditing

Table 1

Our Office

Organisational and divisional activities chart

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.

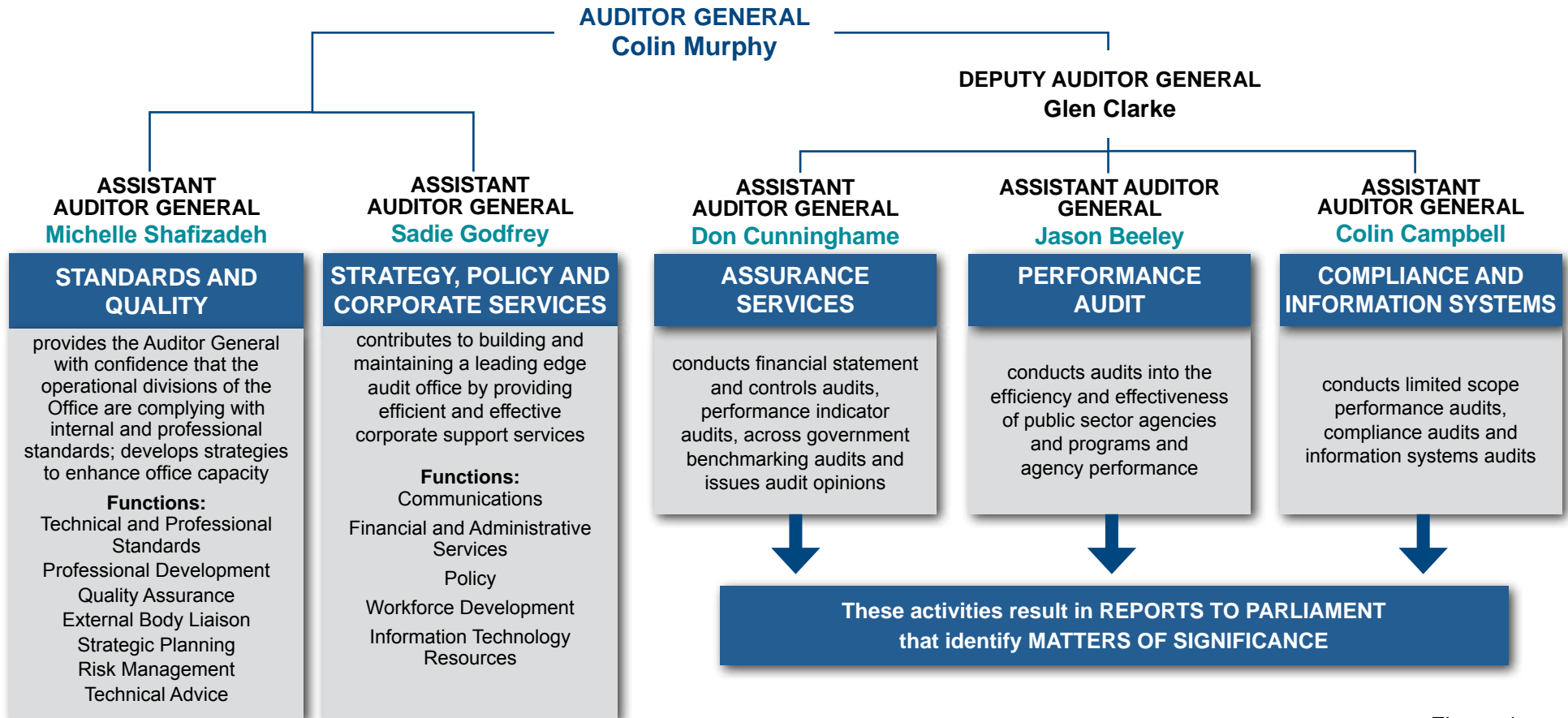


Figure 1

Our Office

Senior officers



L-R: Don Cunninghame, Colin Campbell, Sadie Godfrey, Colin Murphy, Glen Clarke, Michelle Shafizadeh, Jason Beeley

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 and in 2013 was presented with the WA Institute of Public Administration Patrons Award for significant contribution to the State and public sector.

Our Office

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

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.

Jason Beeley

BA Hons (Oxf), 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. He was appointed Assistant Auditor General, Performance Audit in 2009, and is Chair of the Australasian Council of Auditors-General Performance Audit Executives Group.

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 in both the public and private sectors before joining the Office in 2002. Colin was appointed as Assistant Auditor General in 2008.

Don Cunninghame

BCom, FCPA, CISA

Don is a Fellow of CPA Australia and a Certified Information Systems Auditor. He joined

the Office in 1992 after an information systems audit career mainly in the internal audit divisions of large insurance companies. Don has worked in our information systems audit branch, headed our corporate services division, was our chief finance officer and was a director of assurance services before being appointed Assistant Auditor General, Assurance Services in 2008.

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 as Assistant Auditor General, Strategy, Policy and Corporate Services in 2008.

Michelle Shafizadeh

BBus, FCA, Registered Company Auditor

Michelle joined the Office in 2010 and became Assistant Auditor General, Standards and Quality in 2011. 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 Assurance Services 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.

Our Office

Organisational strategies

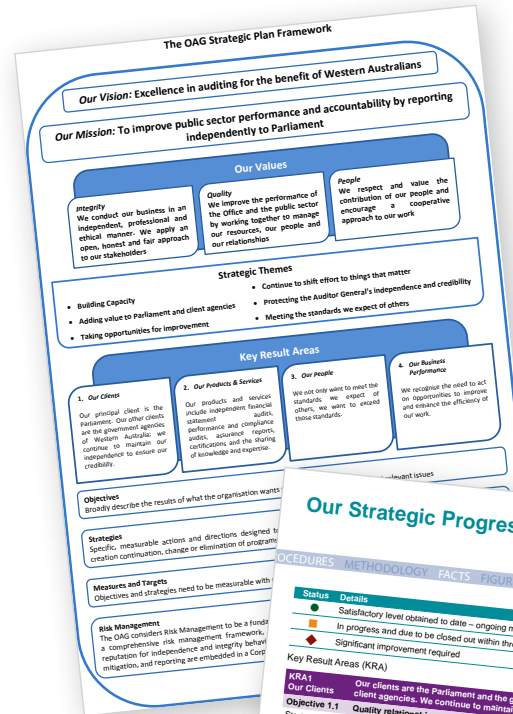
We have a comprehensive five year strategic plan that provides us with the focus to deliver on our vision of ‘Excellence in auditing for the benefit of Western Australians’.

Strategic planning is a management tool that helps us to focus our energy to ensure that we are all working toward the same goals and to assess and adjust the Office’s direction in response to a changing environment.

We continue to ensure this Plan is incorporated into our business operations. Our Corporate Executive conducts quarterly strategic planning sessions to track progress and address any emerging opportunities, issues or weaknesses.

The key components of our Strategic Plan, strategic themes and key result areas, as illustrated in Figure 2, are explained in more detail on the following pages.

Appendix 1 shows a summary of our Strategic Plan progress.



Left: Our Strategic Plan Framework

Below: A summary of our Strategic Plan progress is available at Appendix 1

Our Strategic Progress

Status	Details
●	Satisfactory level obtained to date – ongoing measures in place
■	In progress and due to be closed out within three months
◆	Significant improvement required

Key Result Areas (KRA)

KRA1 Our Clients Our clients are the Parliament and the government agencies and the community of Western Australia. We continue to maintain our independence to ensure our credibility

Objective 1.1 Quality relationships with Parliament as a key stakeholder, Parliamentary Committees, client agencies and other integrity bodies

Strategy 1.1.1 Provide relevant and timely information through advice, briefings and reports to Parliament

Strategy 1.1.2 Liaison with clients about changes in public sector auditing and reporting

Strategy 1.1.3 Engage staff to positively influence professional standards that impact public sector reporting

Strategy 1.1.4 Effective Communications Strategy

Strategy 1.1.5 Internet development project to ensure that the website meets contemporary standards facilitating the ease of access by stakeholders

Strategy 1.1.6 Be a member of the Integrity Coordinating Group (ICG) where information is shared and our role and responsibility is reinforced through meetings and the annual Forum

Objective 1.2 Our clients understand the role of our Office

Strategy 1.2.1 Continue to develop our professional relationships with the Parliament

Strategy 1.2.2 Advance our professional relationship with public sector entities to raise awareness and usage of our products and services

Strategy 1.2.3 Appropriately inform clients about audit plans, processes and activities

Strategy 1.2.4 Ensure staff have the skills and ability to effectively communicate the Office’s role and tasks with client agencies

Objective 1.3 Timely, relevant and quality assured reports to our clients on public sector performance and accountability

Strategy 1.3.1 Seek feedback from our stakeholders to ensure our products and services serve the public interest

Strategy 1.3.2 Aim to table reports as planned, on time

Our Office

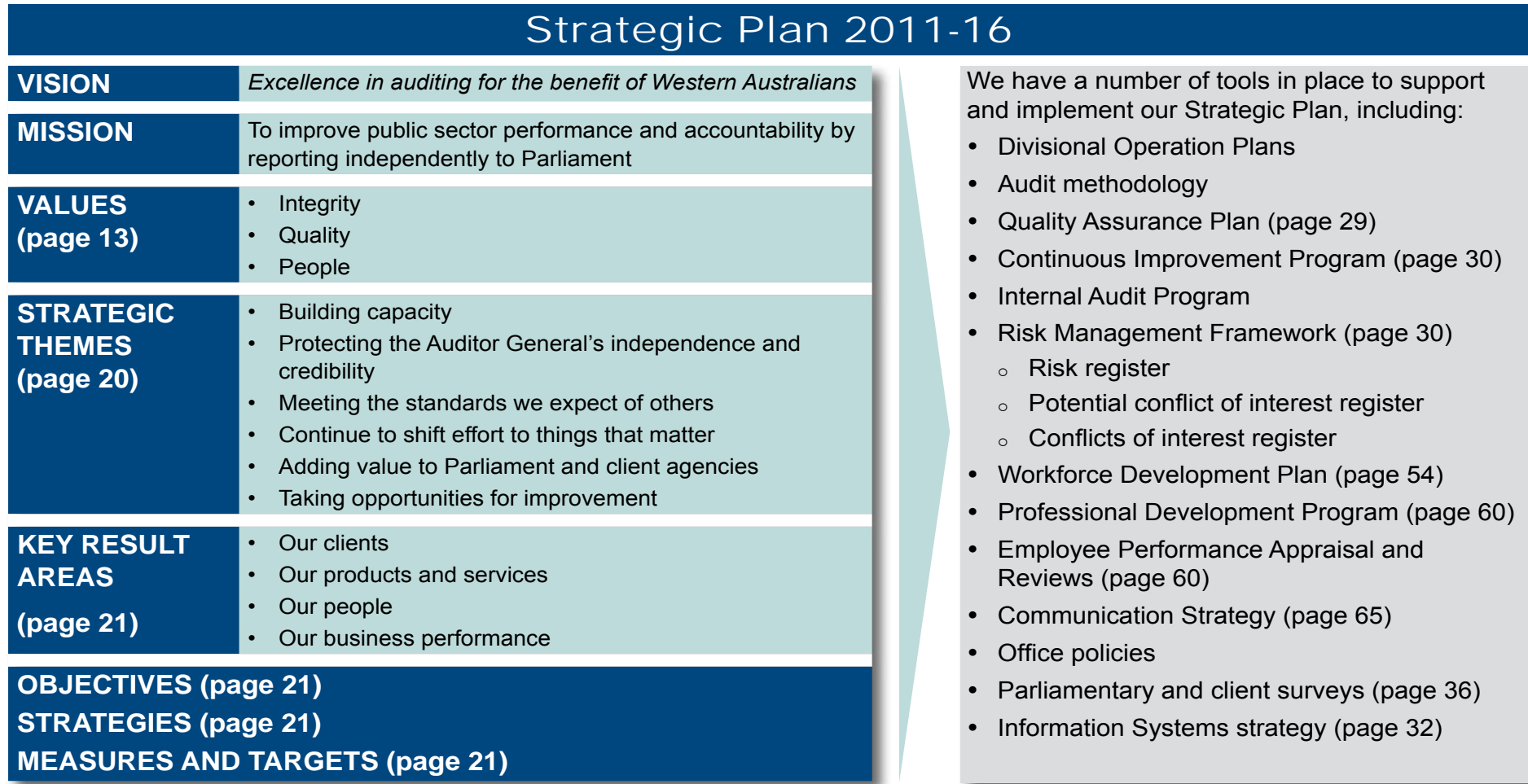


Figure 2

Components of our Strategic Plan 2011-16

Strategic themes

Building capacity	Protecting the Auditor General's independence and credibility	Meeting the standards we expect of others (internal and external)
<p>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.</p>	<p>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.</p>	<p>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.</p>
Continue to shift effort to things that matter	Adding value to Parliament and client agencies	Taking opportunities for improvement
<p>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 continue to put our time and effort into the things that add value.</p>	<p>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.</p>	<p>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.</p>

Components of our Strategic Plan 2011-16

Key result areas

- 1. Our clients** – Our clients are Parliament and public sector agencies of Western Australia; we continue to maintain our independence to ensure our credibility. We strive to add value to Parliament and client agencies.
- 2. Our products and services** – Our products and services include independent financial statement audits, performance and compliance audits, assurance reports, certifications and the sharing of knowledge and expertise. We aim to increase opportunities for improvement.
- 3. Our people** – We not only want to meet the standards we expect of others, we want to exceed those standards. We aim to continue to build the capacity of the Office.
- 4. Our business performance** – We recognise the need to act on opportunities to improve and enhance the efficiency of our work. We work to shift effort to things that matter.

This Annual Report has been structured around our four key result areas.

Objectives

Broadly describe the results of what we want to achieve in light of needs and relevant issues.

Strategies

Specific, measurable actions and directions designed to reach the objectives established. Our strategies are fulfilled through the creation, continuation, change or elimination of programs.

Measures and targets

Objectives and strategies need to be measurable with clear targets that support the work of our individual divisions.

Risk management

We have a comprehensive risk management framework, which forms an integral part of our strategic planning processes. Our reputation for independence and integral behaviour is among our most valued corporate attributes.

Our strategic progress

Please refer to Appendix 1 for a complete listing of our objectives and strategies, together with a status indicator for each. This acts as a report card on our strategic progress to date.

Significant Issues

Impending review of our Office

The *Auditor General Act 2006* (the Act) requires the Joint Standing Committee on Audit (JSCA) to carry out a review of the operation and effectiveness of the Act as soon as is practicable after the fifth anniversary of its commencement (1 February 2012).

Although the JSCA was formed later than expected it has now commenced the process for the performance and legislative review of the Act and the performance of the Auditor General's functions.

We continue to plan and prepare for this review and we look forward to working with the Committee to ensure it has all the information it requires to effectively conduct this review. We see this as an important and significant continuous improvement and quality assurance opportunity for our Office.

Additional audit effort to address government expenditure reforms

Government announced measures to reduce agency expenditure and maintain a general government surplus are likely to impact back office functions within agencies. These changes could affect internal controls over financial management and financial reporting and will necessitate additional audit effort.

Agency restructures presenting new challenges

Agency restructures and amalgamations that are expected to occur in 2013-14 will have a significant impact on audit activities. The changes include the creation of three new health agencies and the amalgamation of a number of regional port authorities. Substantial audit effort will be involved in evaluating the controls and data of the new agencies.

Increasing audit demand

An additional 87 royalties for regions audit certifications will need to be issued in 2013-14. This represents a 113 per cent growth in total certifications and will require considerable additional audit effort. Additional effort will also be required to assess controls over new financial and human resources systems as agencies continue to rollout of the Office of Shared Services.

Effective staff retention and development vital

Retaining skilled professionals continues to be an ongoing challenge, as is the need for succession planning and the development of leaders within the Office. The Office has committed to a customised leadership program targeted at middle to senior management to consolidate and develop existing employees and create a common leadership language and practice across the Office.

Our Business Performance

Financial performance • Performance auditing • KPIs



PROCEDURES METHODOLOGY FACTS FIGURES QUALITY

AUDIT PEOPLE

ASSURANCE EFFICIENCY

TRANSFORMATION PEOPLE

INDICATORS ASSETS

BENCHMARKING STRATEGIC

VALUES MEASURES

INCOME TOPIC

SELECTION WATCHDOG AGENCY ACTS HISTORY LAWS

We recognise the need to act on opportunities to improve and enhance the efficiency of our work.

We work to shift effort to things that matter.

Our Business Performance

Financial performance

	2011-12 Actual \$000*	2012-13 Target \$000	2012-13 Actual \$000	Variation \$000
Total cost of services (sourced from Statement of Comprehensive Income)	21 875	22 017	22 499	482
Total income other than income from State Government (sourced from Statement of Comprehensive Income)	16 067	15 599	15 489	(110)
Net cost of services (sourced from Statement of Comprehensive Income)	5 808	6 418	7 010	592
Total equity (sourced from Statement of Financial Position)	7 454	8 507	8 439	(68)
Net increase/(decrease) in cash and cash equivalents held (sourced from Statement of Cash Flows)	(438)	631	851	220
	Number	Number	Number	Number
Approved full-time equivalent (FTE) staff level	121	113	124	11

* Note: Total cost of services and total income other than income from State Government comparative figures have been reclassified to be comparable with figures presented in the current financial year.

Table 2

The budget for our Office is largely comprised of accommodation costs, salaries and audit contractor expenses. The variance in total cost of services was primarily due to an increase in salary and accommodation costs in addition to an increase in contract payments.

The decrease in cash held is primarily due to higher employee benefits, supplies and services and accommodation payments. Further explanations are contained in note 28 'Explanatory Statement' to the financial statements on page 104 of this report.

The 2012-13 target of 113 FTE represents the budget approved FTE ceiling at that time, however approval has subsequently been received to increase our FTE level to 124. At June 2013 the actual number reflects the expected workforce for the next financial year.

Financial statements

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

	Page
• Certification of Financial Statements	69
• Statement of Comprehensive Income	74
• Statement of Financial Position	75
• Statement of Changes in Equity	76

Our Business Performance

- Statement of Cash Flows 77
- Summary of Consolidated Account Appropriations and Income Estimates 78
- Notes to Financial Statements 79

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 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 also receiving an opinion on controls. These agencies are required under the Act to table their annual reports within 90 days of financial year end.

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

Audit Opinions Issued	2009-10	2010-11	2011-12	2012-13
Annual report on state finances	1	1	1	1
Parliamentary departments	3	3	3	3
Government departments	36	40	40	40
Statutory authorities	100	95	98	92
Universities and state training providers (statutory authorities)	14	14	14	15
Superannuation funds (statutory authorities)	3	3	3	3
Corporatised entities	15	15	15	15
Cemetery boards	8	6	5	5
Subsidiary entities	18	16	15	14
Request audits	9	8	5	2
Total	207	201	199	190

Table 3

A complete list of agencies subject to audit is on page 136 of this report.

Output

Output – financial audits	2009-10	2010-11	2011-12	2012-13
Table audit reports in Parliament	2	2	2	2
Audit opinions issued to Minister/agencies	207	201	199	190
Audit certifications issued	29	82	100	165

Table 4

Our Business Performance

Timeliness

What we set out to do	What we achieved			
	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Issue 100% of audit opinions in time for agencies' annual reports to be tabled within 90 days of financial year end	99.4 [^]	99.4	99.4 [*]	100

Table 5

[^]The audit of one agency was delayed because they had not completed all requirements to enable their opinion to be issued within 90 days.

^{*}One opinion was issued on 28 September 2011 – the responsible Minister had an extension of time for tabling the annual report.

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:

- **Large Scale Performance Audits** – These provide Parliament with information and analyses of public sector programs and operational performance. Performance audits do not focus on government policy but rather on the efficiency and effectiveness of agency programs and activities.
- **Limited Scope Performance Audits** (including compliance audits and across government benchmarking 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 audited key effectiveness performance indicators are outlined on the following page and provide an indication of our performance in relation to our reports tabled in Parliament.

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.

A crucial element of this key performance indicator is the establishment of a three year target for each category of report. A new three year target has been established for 2012-13 to 2015-16. This year we have set a new three year rolling target of 75 reports.

While we tabled one less report than our 2012-13 target, according to our actual performance and our forward planning, we are still on track to meet our three year rolling targets.

Our Business Performance

It is important to note that 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 quantitative measure.

Table 6 shows our actual result for the preceding three years, and our performance against the 2012-13 target.

Report Type	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	Target Over 3 Years
Service Delivery	3	2	4	5	4	13
Economic Development	2	1	1	2	2	8
Social and Environment	1	2	2	4	3	9
Governance	14	10	17	14	15	45
Year Total	20	15	24	25	24	75

Table 6

For further information and details about reports tabled this year refer to page 42.

Our topic selection process is outlined in Appendix 2.

Key efficiency performance indicators

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

Table 7 shows the cost per \$m of government expenditure for our efficiency indicators.

Efficiency Indicator	2009-10 Actual \$	2010-11 Actual \$	2011-12 Actual \$	2012-13 Target \$	2012-13 Actual \$
Total audit cost per \$m of gross government expenditure*	519	509	516	482	497
Attest (annual assurance) audit cost per \$m of gross government expenditure	389	382	387	362	373
Performance audit cost per \$m of gross government expenditure	130	127	129	120	124

Table 7

*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 26 and 113.

Our Business Performance

Additional indicators of our performance

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.

Parliamentary Reports	2009-10	2010-11	2011-12	2012-13	2012-13
				Target	Actual
Matters of significance to Parliament	118	106	136	n/a	163
Large scale and follow-up performance audit reports	5	3	7	9	8
Limited scope performance audits	13	10	12	11	10
Across government benchmarking audits (introduced in 2011-12)	n/a	n/a	3	3	4
Annual Assurance Audits	2	2	2	2	2

Table 8

While not official key effectiveness or efficiency performance indicators, there are a number of other indicators that provide us with a measure of our ongoing performance in meeting our outcome of 'An informed Parliament on public sector accountability and performance'. These include:

Measure	Further information (page number)
Parliamentary surveys	36
Client satisfaction surveys	37
Web downloads of our audit reports	42
Referrals, special investigations and public interest disclosures	38
Independent peer reviews	50

Table 9

Also refer to Appendix 1 for a summary of our strategic progress.

Our Business Performance

Quality Framework and Quality Assurance Plan

Quality is fundamentally important to everything we do. 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. This year we further enhanced our Quality Assurance Plan to ensure we focus our resources and efforts on the areas that will have the most significant impact.

This Plan includes actions such as internal and external reviews of our audit engagement files, review of our audit methodologies to ensure they are compliant with current auditing standards and reviews of our independence and audit policies and their implementation.

Our Standards and Quality Division is responsible for the facilitation of the Plan and for regular reporting of its progress to Corporate Executive.

Role of the Quality Assurance Plan

There are four broad areas where the Quality Assurance Plan plays a vital role for our Office. These are internal control, risk management, corporate governance and compliance monitoring.

Internal Control – quality assurance is primarily directed at improving internal control. Internal control is broadly defined as a process, effected by Corporate Executive, management and other employees,

designed to provide reasonable assurance regarding the achievement of objectives in the following internal control categories: effectiveness and efficiency of operations, reliability of financial reporting, detecting and investigating fraud, safeguarding of assets, and compliance with laws and regulations.

Risk Management – our strategic quality assurance plan is mapped to the risks identified through our risk management processes and also identifies the three year quality assurance plan coverage of material risks.

Corporate Governance – quality assurance activity, as it relates to corporate governance is generally informal, accomplished primarily through participation in meetings and discussions with members of the Corporate Executive. Corporate governance is a combination of processes and organisational structures implemented by the Corporate Executive to inform, direct, manage, and monitor the Office resources, strategies and policies towards the achievement of the organisations objectives.

Compliance Monitoring – The purpose of monitoring compliance with quality control policies and procedures is to provide an evaluation of: adherence to professional standards and applicable legal and regulatory requirements, whether the system of quality control has been appropriately designed and effectively implemented, and whether the Office's quality control policies and procedures have been appropriately applied, so that audit reports that are issued by the Office are appropriate in the circumstances.

Our Business Performance

Some specific examples of quality assurance activities commenced in 2011-12 and ongoing through 2012-13 include:

- *Contract Audit Firm Quality Review* – to ensure the quality of Contract Audit Firms who perform financial audit work for our Office
- *Engagement Quality Control Review (EQCR)* – to evaluate and report on the implementation of the EQCR process for the audit divisions
- *External Peer Review Program* – To determine whether we have established and maintained a system of quality control, including in the areas of corporate governance, financial audit, performance audit, compliance audit and information systems audit.

Focus on continuous improvement

We have a Continuous Improvement (CI) policy in place that 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 employees to continuous improvement of processes, products and services
- input and involvement of all employees in identifying and implementing quality improvements

- systematic use of qualitative and quantitative feedback as the basis for identifying and prioritising improvement opportunities.

This year, as part of our continuous improvement process a number of employees delivered presentations at our monthly professional development sessions on specific projects, the successes and the lessons learned.

Audit methodology continuous improvement

We have internal Audit Methodology User Groups for the financial audit methodology, key performance indicator audit methodology and the performance audit methodology. These methodologies are key to what we do, how we do it and why. The User Groups regularly meet to ensure continuous improvement opportunities are identified, implemented and monitored.

Proactively managing risk and business continuity

Our Audit and Risk Management Committee is a sub-committee of Corporate Executive and its objectives are to:

1. assist the Deputy Auditor General in carrying out his responsibilities with regard to internal and external audit and risk management
2. provide a formal forum for communication between the Deputy Auditor General, internal audit, external audit and senior management

Our Business Performance

3. improve the effectiveness of internal audit, external audit and risk management.

The Committee:

- maintains our risk register and potential conflicts of interest register
- considers conflicts of interest (and maintains a conflicts of interest register)
- manages risk
- regularly reports to Corporate Executive on identified risks and the status of treatment action plans put in place to address these risks.

Our Risk Management Practice Framework outlines the policies and processes in regards to management of risk and preventative measures are in place for key risk categories. This also includes a potential conflicts of interest register and a conflicts of interest register.

Comprehensive review of our Business Continuity Plan

Our Business Continuity Management Program (BCMP) has been subject to an extensive review over 2012-13. The new comprehensive BCMP has been endorsed by Corporate Executive and addresses major risk events that have the potential to significantly impact on our ability to deliver our services. It prepares our Office to respond to any business interruptions caused by incidents, events or crises.

The objectives of our BCMP are:

- to establish and implement a structured process that will enable our Office to effectively manage and respond to major incidents in a timely manner
- to safeguard the health and safety of employees and visitors before, during, and after a major incident
- to ensure the recovery of critical business processes within the required timeframes
- to comply with WA Government guidelines and requirements on business continuity.

Actively communicating risk and business continuity

Risk management and business continuity is included in the induction process of new staff and reinforced to all staff through our Office Forums and Professional Development program.

Our Business Performance

Information technology

Strategic planning has been a major focus for our Information Resources Branch over the last year. A new Information Technology Strategic Plan has been developed and will be in place from September 2013. As part of the review of our Business Continuity Management Program, we reviewed and had endorsed by Corporate Executive our Business Continuity Plan, Disaster Recovery Plan and Incident Response plans.

Much work was undertaken throughout the year for the upgrade of our intranet and website platforms, which were completed in mid 2012-13 (refer to page 65 for more information). An associated project currently underway is the development of an online Business Intelligence (BI) dashboard, which would allow internal users to surface integrated data from across different platforms, including eTrack (resource tracking) and SmartStream (finance) on our intranet and produce custom reports according to their requirements.

This significant project is due to be completed in 2013-14 and will realise substantial efficiency gains in corporate reporting as well as allowing better and more accurate access to business intelligence for decision making.

In addition to our intranet and website platforms a number of our internal systems were upgraded over the year, including; our finance system, Smartstream; our HR system, Alesco; and our recordkeeping system, TRIM.

In an effort to better streamline the service provided by our Information Resources Branch, new Service Desk Management Software was introduced that records and tracks service requests as they come in and are actioned. This valuable tool allows users to track how their request is progressing and allows the Information Resources Branch to monitor and proactively act on any trends emerging as a result of the requests received.

Other projects completed by the Information Resources Branch include:

- the introduction of instant messaging software, Jabber, allowing employees another avenue to quickly and succinctly communicate with their colleagues
- the establishment of a wireless network within our office building, enabling employees to access our networks and the internet while away from their docking stations
- a comprehensive review of our infrastructure security to ensure our network and systems are protected
- a trial and subsequent introduction of an improved virtual private network (VPN) that allows quicker and more reliable access to our networks and internet for our employees, particularly when remote access is required.

In order to better assist the Office with our technological requirements and to establish stronger communication channels, we have begun

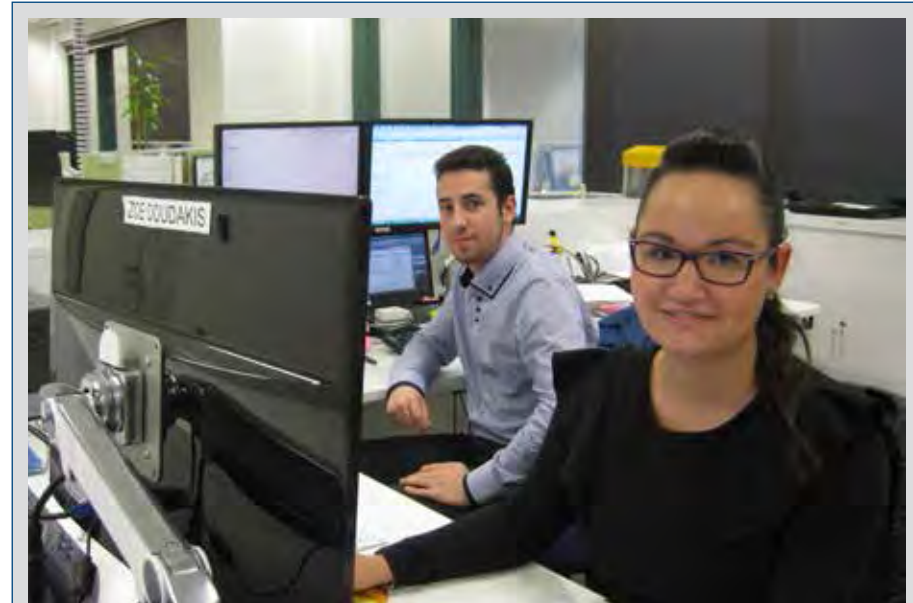
Our Business Performance

delivering regular information technology ‘tips and tricks’ sessions at our monthly PD days. These sessions have quickly become a popular feature of our PD program.

Information and Communication Technology Committee

We have an active Information and Communication Technology (ICT) Committee which meets to identify any ICT issues, opportunities and risks across the Office. The Committee makes recommendations to Corporate Executive on 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. This year we conducted a comprehensive review of the structure and governance of this Committee to ensure it is effectively meeting the business requirements of our Office.



Alex Vuduris and Zoe Doudakis operating new service desk management software, which was introduced during 2012-13 to better streamline and manage requests coming in to our Information Resources Branch.

Our Business Performance

Information management

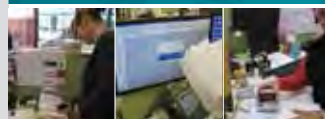
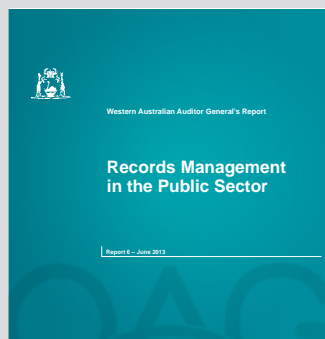
Throughout 2012-13, our Information Management Branch has primarily focused on moving our Office to a more digital operating environment. This includes:

- enhanced integration between our information systems, including recordkeeping, finance and human resource systems, to enable more efficient and accurate reporting of corporate information. One of the main drivers for this is the desire for a central Business Intelligence (BI) tool
- upgraded version of our electronic records system TRIM, which will

allow us to integrate our records system with our intranet, further streamlining and enhancing the efficiency of these systems

- an extensive review of our Recordkeeping Plan, which will be submitted to the State Records Office no later than 10 October 2013.

In an effort to further improve the usage of TRIM and to increase awareness of recordkeeping requirements, our Information Management Branch delivers regular 'tips and tricks' sessions at our monthly PD days. As with the information technology sessions, these sessions have quickly become a popular addition to our regular PD program.



Valuable record keeping information for all public sector agencies

In June 2013, the Auditor General tabled his report in Parliament, *Records Management in the Public Sector*.

This report contains valuable information for all public sector agencies about record keeping and agency requirements under the *State Records Act 2000*.

Mr Murphy found that although the Act had been in place for over a decade and all agencies now have recordkeeping plans, inadequate practices amongst the sampled agencies were still common.

Specifically, he found that key records were not being captured in some agency's records management systems with the result that they can become lost or difficult to locate or be at greater risk of unauthorised access or alteration.

Our Clients

Referrals • Public Interest Disclosures • Members of Parliament
and client agency surveys



PROCEDURES METHODOLOGY FACTS FIGURES QUALITY

AUDIT
ASSURANCE
TRANSFERS
INDICATORS
BENCHMARKS
VALUES
INCOME

Our clients are Parliament, the government agencies of Western Australia and the community; we continue to maintain our independence to ensure our credibility.

We strive to add value to parliament and client agencies.

PEOPLE
EVIDENCE
PEOPLE
ASSETS
STRATEGIC
MEASURES
TOPIC

SELECTION WATCHDOG AGENCY ACTS HISTORY LAWS

Our Clients

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 2013, ninety-five MPs were invited to participate in the survey and 31 per cent participated. This response rate is significantly down from previous years, which may be attributed to the fact that the survey was conducted not long after the state election. This election resulted in 24 new Members of Parliament who did not have experience with, or first-hand knowledge of the Office and our reports to Parliament.

The responses we did receive showed that overall satisfaction with Auditor General reports and services continues to be high with 83 per cent of MPs satisfied/very satisfied, however this result is a decline from previous years.

Table 10 shows the percentage of respondents to the survey in relation to four critical 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.

Indicator	% Agree or Strongly Agree			
	2009-10	2010-11	2011-12	2012-13
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	84	81	82	86
Reports dealt with matters of significance to Parliament	90	89	91	97
Services and reports of the Office of the Auditor General are useful to Parliament	95	93	92	93
	% Satisfied or Very Satisfied			
Overall satisfaction with Auditor General reports and services	95	91	90	83

Table 10

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.

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

Our Clients

place and we continue to liaise with parliamentarians, including the parliamentary committees, on our forward audit program and the tabling of our reports.

Following the election in March, we provided comprehensive briefings about our Office to all the new Members of Parliament and parliamentary committees.

We use the results of our annual MP surveys, together with direct feedback throughout the year, to identify any potential initiatives or refinements that could further improve our parliamentary liaison program for the benefit of Parliament and our Office.

Client agency survey

Following the tabling in Parliament of our Annual Assurance Audits we conduct a client agency survey to gather feedback about the service provided by the Office.

Each of the government departments and other entities receiving an audit opinion is given the opportunity to respond to the survey, which is managed by an independent market research company, Orima.

In 2012-13 a record high of 91 per cent of respondents agreed that the Office’s financial audit services make a valuable contribution by providing their organisation with a sense of assurance.

We have however seen a decrease in some areas of the survey

including the timeliness of our audit program and responsiveness. We recognise the importance of effective and timely communication throughout the course of an agency audit – not only is it important in ensuring our auditors are fully informed, it is also important that where possible agencies are allowed the time they need to respond to and promptly act on audit findings as they arise.

The results of these surveys play an important part in our ongoing continuous improvement and quality assurance efforts. We take into consideration all feedback, including areas of concern, when devising our forward audit program.

Indicator	% Agree			
	2009-10	2010-11	2011-12	2012-13
The Office’s financial audit services make a valuable contribution	87	88	90	91
The Office’s observations and/or recommendations have the potential to improve the financial management of our organisation	79	81	86	88
The Office’s audit program was undertaken in a timely manner	85	83	91	80
Audit staff were responsive to our needs	88	93	94	87

Table 11

Our Clients

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.

Referrals and enquiries about the public sector

Our 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 2012-13, the average number of days taken to respond was 5.87 working days, with 89 per cent of all referrals and enquiries responded to within our target of 10 working days for standard and 30 days for complex referrals and/or enquiries.

Figure 3 shows in 2012-13 our response rate was slightly down on the previous year, however it remains considerably higher than our lowest point in 2008-09.

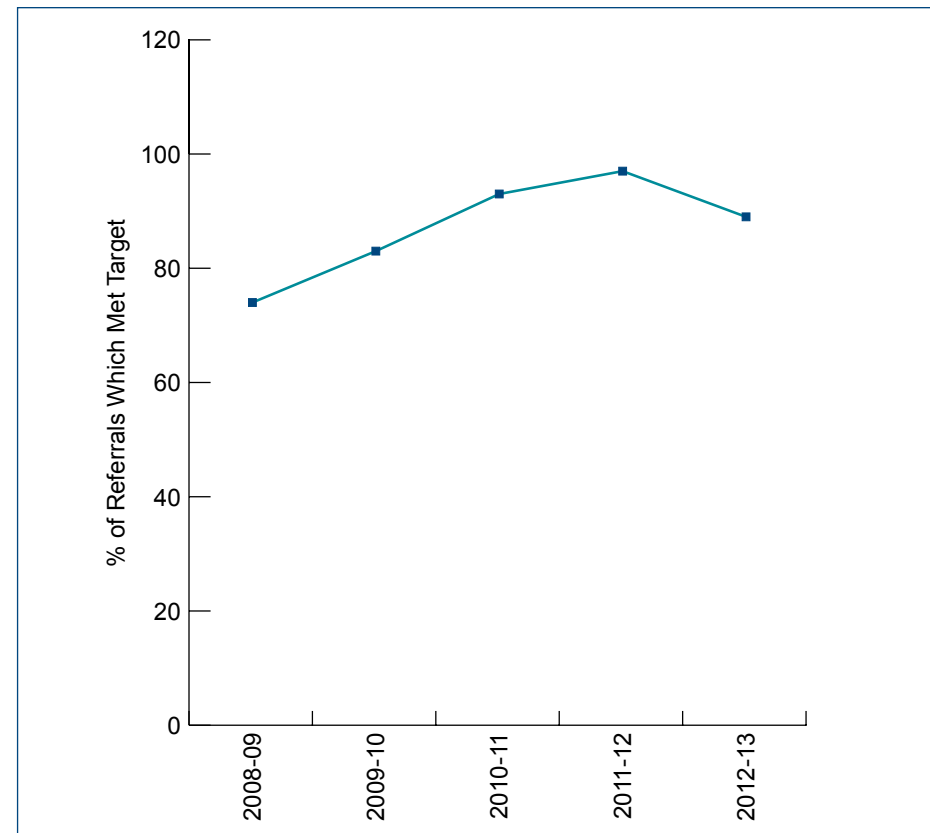


Figure 3

Our Clients

Table 12 shows the number of referrals and enquiries received. In 2012-13 we received slightly less concerns from members of the public and from Members of Parliament than the previous year, however this is still significantly higher than in 2010-11.

Referrals/enquiries received	2008-09	2009-10	2010-11	2011-12	2012-13
Members of the public	58	68	51	82	75
Members of Parliament and parliamentary committees	11	13	8	17	15
Total	69	81	59	99	90

Table 12

Issues raised through referrals and enquiries that can be examined by the Office, under the *Auditor General Act 2006*, are considered during our audit topic selection process (refer to Appendix 2).

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.

This year, no specific agency or issue was repeatedly raised although

as per previous years' the clear majority 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. This work may take priority depending on the nature of the matter requiring investigation.

No special investigations were commenced in 2012-13, however we did conclude one special investigation that we commenced in 2011-12.

During our audit, *Management of the Rail Freight Network Lease: Twelve Years Down the Track* (Report 1 – January 2013), the Auditor General received information that some timber sleepers installed on the rail freight network did not meet the required standard, and that secondhand steel track components had been installed in some instances. We sought specialist advice and then requested the Public Transport Authority (PTA) to investigate the allegations which it did, using its own rail experts. PTA then provided the Auditor General with a written assurance that the sleepers and other components installed

Our Clients

on the network met the appropriate standards. PTA also noted that as a general rule, the quality and life cycle of timber sleepers has declined over time as regulations have restricted the use of high-grade timber, and prohibited environmentally harmful weather-proofing agents.

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 two allegations during 2012-13 from complainants who asked that the matters be investigated as a Public Interest Disclosure (PID). When we receive such allegations our first step is to conduct an assessment to determine whether the matters meet the definitions of a PID under Section 3 of the Act. The process of clarifying the allegations and making our assessment involved considerable investigation, however we concluded in both cases that the matters did not constitute a PID.

PIDs Registered	2009-10	2010-11	2011-12	2012-13
By year	2	0	0	0
Cumulative total to 30 June 2013	13	13	13	13

Table 13

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.

Complaints about the Office

Our Complaints Management Policy informs staff about their responsibilities in effectively and appropriately managing complaints about the Office, its staff, external contractors and services.

Our complaint management system follows recommended better practice principles, providing confidence that complaints are dealt with effectively through the following three steps:

Step 1: Enabling Complaints

Step 2: Responding to Complaints

Step 3: Accountability and Learning

Arrangements for enabling people to make complaints are customer focused, visible, accessible, valued and supported by management. Complaints can be submitted via our website, by email to complaints@audit.wa.gov, by mail or by telephoning 6557 7500.

In 2012-13 we received no complaints.

Our Products and Services

Reports to Parliament • Forward audit program • Independent review of our reports



PROCEDURES METHODOLOGY FACTS FIGURES QUALITY

AUDIT
ASSURANCE
TRANSF
INDICAT
BENCH
VALUES
INCOME

PEOPLE
LENCE
PEOPLE
SSETS
TEGIC
URES
TOPIC

Our products and services include independent financial statement audits, performance and compliance audits, assurance reports, certifications and the sharing of knowledge and expertise.

We aim to increase opportunities for improvement.

SELECTION WATCHDOG AGENCY ACTS HISTORY LAWS

Our Products and Services

Reports tabled in 2012-13

The following is an overview of our 2012-13 audit reports tabled in Parliament. The complete reports are available on our website www.audit.wa.gov.au. Further information on our performance indicators and our outputs relating to our reports to Parliament can be found in the Our Business Performance section of this report from page 24.

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. While not official key effectiveness or efficiency performance indicators (as outlined on page 26), these provide us with another measure of our ongoing performance in meeting our outcome of ‘an informed Parliament on public sector accountability and performance’.

						Web downloads
Title	Tabling date	KPI area	Report Type	Agencies/Departments	Media Coverage	<i>(from date of tabling to 30 June 2013)</i>
Information Systems Audit Report - Security Gap Analysis	27 June	Governance	Limited scope performance audit	<ul style="list-style-type: none"> • 21 agencies 	West Australian, WA Today, Sydney	442*
Information Systems Audit Report - Application Control Audits	27 June	Governance	Limited scope performance audit	<ul style="list-style-type: none"> • Western Australia Police • Finance • Health • Mines and Petroleum 	Morning Herald, Canberra Times, ZD Net, Computer World, Delimister, IT News, CIO, PS News, ABC 720, 94.5fm, Ch 7, Ch 9, Ch 10, ABC News	
Information Systems Audit Report - General Computer Controls and Capability Assessments	27 June	Governance	Limited scope performance audit	<ul style="list-style-type: none"> • 80 agencies 		
Supply and Sale of Western Australia's Native Forest Products	26 June	Social and Environment	Limited scope performance audit	<ul style="list-style-type: none"> • Environment and Conservation • Forest Products Commission 	West Australian, WA Today, WA Business News, Donnybrook Bridgetown Mail, Daily Telegraph, PS News, ABC News, ABC 720, 6PR	88

Our Products and Services

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

Title	Tabling date	KPI area	Report Type	Agencies/Departments	Media Coverage	Web downloads <i>(from date of tabling to 30 June 2013)</i>
Administration of the Patient Assisted Travel Scheme	26 June	Service Delivery	Limited scope performance audit	<ul style="list-style-type: none"> • Health 	ABC News, PS News	80
Follow-up Performance Audit of Behind the Evidence: Forensic Services	19 June	Service Delivery	Performance audit	<ul style="list-style-type: none"> • PathWest • ChemCentre • Police Forensic Division 	Canberra Times, PS News	123
Fraud Prevention and Detection in the Public Sector	19 June	Governance	Limited scope performance audit	<ul style="list-style-type: none"> • Transport • Insurance Commission of Western Australia • Murdoch University • Polytechnic West • Rottnest Island Authority • Water Corporation • Western Australian Institute of Sport • Landgate • Wheatbelt Development Commission 	Government News, WA Business News, Canberra Times, news.com.au, PS News, ABC 720	524

Our Products and Services

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

Title	Tabling date	KPI area	Report Type	Agencies/Departments	Media Coverage	Web downloads <i>(from date of tabling to 30 June 2013)</i>
Records Management in the Public Sector	19 June	Governance	Limited scope performance audit	<ul style="list-style-type: none"> • Bunbury Port Authority • State Development • Fremantle Adult Mental Health Service, Fremantle Hospital • Gold Corporation • Midland Police Station • Racing and Wagering WA 	Canberra Times, PS News	359
Delivering Western Australia's Ambulance Services	12 June	Service Delivery	Performance audit	<ul style="list-style-type: none"> • St John Ambulance Australia (WA) • Health 	West Australian, Sunday Times, Canberra Times, ABC News, ABC 720	204
Audit Results Report - Annual Assurance Audits	15 May	Governance	Annual assurance audits (financial)	<ul style="list-style-type: none"> • Universities and state training providers (and other audits completed since 29 October 2012) 	The Australian, IT News, Computer World, PS News	993*
Recording, custody and disposal of portable and attractive assets	15 May	Governance	Across Government Benchmarking Audit	<ul style="list-style-type: none"> • Botanic Gardens and Parks Authority • Curtin University of Technology • Commerce • Economic Regulation Authority 		

Our Products and Services

						Web downloads
Title	Tabling date	KPI area	Report Type	Agencies/Departments	Media Coverage	<small>(from date of tabling to 30 June 2013)</small>
				<ul style="list-style-type: none"> • Forest Products Commission • Horizon Power • Lotteries Commission • Polytechnic West • West Coast Institute of Training • Western Power 		
Control of funds held for specific purposes	15 May	Governance	Across Government Benchmarking Audit	<ul style="list-style-type: none"> • Aboriginal Affairs Planning Authority • Agriculture and Food • Fisheries • Mines and Petroleum • Gaming and Wagering Commission • The Minister in his Capacity as the Deemed Board of the Metropolitan Public Hospitals (Metropolitan Health Service) • Western Australia Police 		

Our Products and Services

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

Title	Tabling date	KPI area	Report Type	Agencies/Departments	Media Coverage	Web downloads <i>(from date of tabling to 30 June 2013)</i>
Management of Injured Workers in the Public Sector	8 May	Social and Environment	Limited scope performance audit	<ul style="list-style-type: none"> • Central Institute of Technology • Corrective Services • Disability Services Commission • Education • Fisheries • Metropolitan Cemeteries Board • Public Transport Authority • Sir Charles Gairdner Hospital 	West Australian, Canberra Times, PS News, ABC News	637
Follow-on Performance Audit to 'Room to Move: Improving the Cost Efficiency of Government Office Space'	17 Apr	Service Delivery	Performance audit	<ul style="list-style-type: none"> • Building Management and Works • Finance 	PS News, ABC News	569
Management of the Rail Freight Network Lease - Twelve Years Down the Track	3 Jan	Economic Development	Performance audit	<ul style="list-style-type: none"> • Transport • Public Transport Authority 	Community News, West Australian, Farm Weekly, Rail Express, ABC Rural, South Western Times, Courier Mail, WA Business News, PS News, 6PR, ABC 720	892

Our Products and Services

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

Title	Tabling date	KPI area	Report Type	Agencies/Departments	Media Coverage	Web downloads <small>(from date of tabling to 30 June 2013)</small>
Managing the Road Trauma Trust Account	14 Nov	Governance	Performance audit	<ul style="list-style-type: none"> • Office of Road Safety • Road Safety Council 	West Australian, WA Business News, Sunday Times, WA Today, Sydney Telegraph, PS News, Ch 10 News, ABC News	1 098
Non-Payroll EFT Payments to Employees	7 Nov	Governance	Across Government Benchmarking Audit	<ul style="list-style-type: none"> • Commerce • Education • Commissioner of Main Roads • Training and Workforce Development • Transport 	West Australian, PS News, Bunbury Mail, ABC 720, ABC News	3 265*
Agency Gift Registers	7 Nov	Governance	Across Government Benchmarking Audit	<ul style="list-style-type: none"> • Agriculture and Food • Attorney General • Education – Head Office only • Indigenous Affairs • Mines and Petroleum • Premier and Cabinet • Sport and Recreation • State Development 		

Our Products and Services

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

						Web downloads
Title	Tabling date	KPI area	Report Type	Agencies/Departments	Media Coverage	<i>(from date of tabling to 30 June 2013)</i>
				<ul style="list-style-type: none"> • Rottnest Island Authority • Western Australian Tourism Commission • Western Australian Treasury Corporation 		
Audit Results Report - Annual 2011-12 Assurance Audits	7 Nov	Governance	Annual assurance audits (financial)	<ul style="list-style-type: none"> • Agencies with a 30 June or 31 July 2012 reporting date 		
Implementation of the National Partnership Agreement on Homelessness in Western Australia	24 Oct	Social and Environment	Performance audit	<ul style="list-style-type: none"> • Child Protection • Premier and Cabinet • Treasury • Housing Authority 	WA Today, Canberra Times, Sky News, Courier Mail, WA Business News, The Australian, ABC News, ABC 720	1 578
Major Capital Projects	17 Oct	Economic Development	Performance audit	<ul style="list-style-type: none"> • Treasury • Finance 	The Australian, Australian Financial Review, Busselton-Dunsborough Mail, WA Business News, WA Today, Canberra Times, 6PR, ABC 720, ABC News, Ch 10, Ch 9, GWN, WIN, 94.5	1 033

Our Products and Services

Title	Tabling date	KPI area	Report Type	Agencies/Departments	Media Coverage	Web downloads
						(from date of tabling to 30 June 2013)
Business Continuity Management by Port Authorities	26 Sept	Governance	Limited scope performance audit	Four port authorities – <ul style="list-style-type: none"> • Fremantle • Esperance • Geraldton • Port Hedland 	WA Business News, PS News	1 607*
Western Australian Natural Disaster Relief and Recovery Funding	26 Sept	Governance	Limited scope performance audit	<ul style="list-style-type: none"> • Fire and Emergency Services Authority • Child Protection • Agriculture and Food WA • Main Roads WA 	West Australian, Margaret River-Augusta Times, PS News, ABC 720	
Housing's Implementation of the Head Contractor Maintenance Model	26 Sept	Governance	Performance audit	<ul style="list-style-type: none"> • Housing 	PS News, ABC 720, ABC News, 6PR,	

Table 14

*Some reports are collated into one document for tabling purposes – these reports are presented on our website as one document and therefore only have one download figure.

Our Products and Services

Looking forward – 2013-14 Audit Program

The Office has finalised an ambitious audit program for the coming financial year.

Financial Audits

Our financial audit program involves the issuing of 190 financial audit opinions and approximately 160 certifications, mainly relating to the acquittal of expenditure from Commonwealth and Royalties for Regions funding. The results of these audits are tabled in two reports – one for agencies with a June year-end balance and one for agencies with a December year-end balance. These reports include commentary on key financial management issues identified during these audits and an assessment and rating of all agencies against better practice criteria.

Performance Audits

Our performance audit program anticipates the tabling of 23 audit reports. Our performance audit program was devised after consulting both the Public Accounts Committee and Estimates and Financial Operations Committee, our referral and enquiry register and after giving serious regard to requests from parliamentarians. Potential topics are strategically selected against six specific criteria including materiality, risk and potential impact. Also important is ensuring that our audits cover a broad range of topics necessary to give Parliament a full appreciation of public sector performance. For this reason

we set targets to table reports in four categories and measure our performance each year against these targets. The categories are, Service Delivery, Economic Development, Social and Environment and Governance. Refer to Appendix 2 for our topic selection process.

Other Audit Work

Unplanned audit work includes responding to notifications from a Minister under s.82 of the *Financial Management Act 2006*. These notifications require the Auditor General to give an opinion “as to whether a decision by a Minister not to provide information to Parliament concerning any conduct or operation of an agency is reasonable and appropriate”.

Independent review of our reports

Late last year we engaged three independent reviewers to assess a sample of our 2012 performance reports. The reviewers, who were engaged through the Australasian Council of Auditors-General had highly relevant backgrounds for such assessments. They were a journalist, a former senior public servant and a former chair of the NSW Public Accounts Committee.

The four reports selected for review were chosen because they reflected the breadth of our tabled reports - large and narrow scope audits, reports with mostly positive or negative findings as well as the annual Information Systems report.

Our Products and Services

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

Each report was assessed against six criteria:

1. Scope and potential impact
2. Focus on efficiency, effect, economy
3. Persuasiveness of conclusions
4. Communication – printed report
5. Communication – online report
6. Usefulness to the customer

The feedback we received for all four reports was mostly positive with the reviewers giving scores for each report of between 68 and 71 out of 90.

There were a number of recommendations, some of which we are already implementing:

- a need for more comprehensive agency responses to the audit report and in particular, whether the agency accepted the recommendations
- greater use of photographs to give colour and interest
- greater attention to cause and effect of the audit findings.



Our Products and Services

Working together towards excellence in audit

Our involvement with the Australasian Council of Auditors-General (ACAG) is beneficial and extremely important in developing and sharing knowledge, information, experience and better practice examples across jurisdictions.

Additional to the network of Auditors General, we are involved with a number of ACAG initiatives, which include:

- **Financial Reporting and Auditing Committee:** to provide Auditors General and ACAG with strategic and technical advice on developments in accounting, financial reporting and financial auditing.
- **Heads of Performance Audit Group:** to arrange for the sharing of information between members and support the development of effective and efficient Performance Auditing methods and practices by members.
- **ACAG Information Systems Audit Group:** a forum for exchange of knowledge and experience in information technology (IT) audit and use of IT as a support tool for auditors.

- **Practice Management Group:** to assist in the improvement of the practice which supports each member Auditor General, including human resourcing, communications and information technology.
- **Audit Quality Assurance Panel:** to assist audit offices to meet, as a minimum, legal and professional requirements for quality control.

We also regularly liaise with ACAG audit offices on providing a collegiate response to exposure drafts issued by standard setters such as the Australian Accounting Standards Board and Auditing and Assurance Standards Board (AUASB) and their international equivalents.

Auditing and Assurance Standards Board

Our Auditor General is also a member of the AUASB. This Board is an independent, statutory agency of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards.

Our Assistant Auditor General Standards and Quality Division, Michelle Shafizadeh, is a member of a Project Advisory Group for Assurance Engagement on Controls, which is a subgroup of the AUASB.

Our People

Managing the Office – Workforce development, employees, professional development, communication



PROCEDURES METHODOLOGY FACTS FIGURES QUALITY

AUDIT PEOPLE

ASSURANCE **EXCELLENCE**

TRANSFORMATION PEOPLE

INDICATORS ASSETS

BENCHMARKING STRATEGIC

VALUES MEASURES

INCOME TOPIC

SELECTION WATCHDOG AGENCY ACTS HISTORY LAWS

We not only want to meet the standards we expect of others, we want to exceed those standards.

We aim to continue to build the capacity of the Office.

Our People

Managing our Office

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 employees and encourages them in their role of meeting the desired outcomes of this Office.

Workforce Development Plan

In late 2010, the Office commenced a workforce planning process utilising external expertise for the environmental scanning, research and analysis. The result of this work was an ambitious Workforce Development Plan 2011-16.

This comprehensive plan aligns with our Strategic Plan 2011-16, and includes a number of strategic objectives under which a range of specific action items are detailed with measures and milestones. The strategic objectives are:

- Data Management and Utilisation
- Leadership and Management

- Organisational Structure
- Attraction and Retention
- Knowledge Management.

In the second year of the Plan, there have been significant advancements, building on the ground work of our first year:

- Our graduate recruitment program has again been undertaken in the second quarter of the year, further refining the processes to ensure the very best from the large number of applicants are selected, nurtured and retained (refer to page 58 for more detail).
- We have strengthened our professional development support for graduates and junior auditors throughout their first three years with a comprehensive, targeted monthly program that also supports their professional studies in CPA and ICAA (refer to page 58 for more detail).
- Our Leadership and Management Program has now been undertaken by 42 employees and has delivered the intended advanced leadership and management skills, united approach to, and common language of management (refer to page 61 for more detail).
- The Professional Development (PD) Program, delivered monthly to the different Office Divisions and specific employee roles continues

Our People

to be refined and regularly includes specialist guest speakers (refer to page 60 for more detail).

- Increased numbers of employees leading PD sessions, in areas of expertise or as a result of external PD attendance, both lifting presentation skills and sharing and consolidating learning.
- Technology tips and tricks presented by in-house experts at monthly PD Days encourage increased and improved use of existing systems.
- The Office's suite of blended learning solutions, incorporating a broad range of traditional methodologies with new technologies such as online courses and webcasts of national speakers, continues to grow in line with increasing compliance requirements.
- Technology improvements now contribute to review and streamlining of internal reporting, increasing timeliness and accuracy. These include system upgrades and alignments, data cleanse projects and employee training.
- Streamlined human resource processes, including maximisation of technology to deliver incremental efficiencies in services to internal and external clients.

- Relationships with the universities continue, especially through targeted sponsorship of business school awards (refer to page 58 for more detail).

Our people

Table 15, over the page, shows a slight increase in employee numbers over the last two years. In part, this is an indication that our capacity to attract and retain employees continues to improve.

Our ability to attract the right people for the right positions is particularly important as we strive to accommodate our increasing audit program.

Over the last two years we have restructured our Standards and Quality Division with the aim of providing a more targeted specialist service to our different auditing areas. This includes high level advice and guidance on auditing and integrity standards as well as ongoing quality assurance. This Division also leads the internal audit and risk management functions of the Office and oversees the progress of our Strategic Plan 2011-16.

Our People

Employees by Division at 30 June 2013

	2010	2011	2012	2013
Auditor General Unit	5	6.3	4.65	6.8
Assurance Services	54.4	59.4	59.5	60.8
Compliance and Information Systems Audit	11.3	11.7	12.17	12.9
Performance Audit	12.3	15.6	18.8	15
Standards and Quality	6.3	4.6	6	7.9
Strategy, Policy and Corporate Services	18.4	21.51	20.49	20.59
Total	107.6	119.11	121.61	124.59

Table 15

Staff attrition

Our attrition rate, at just over 11 per cent, is a significant decrease from last year's 17 per cent. Of the 12 terminations in 2012-13, five were resignations and the remaining seven were transferred to other public sector agencies.

Attrition is an issue for all audit offices and we are continuing to address our rate through a number of retention strategies identified in our Workforce Development Plan to further enhance our competitiveness in recruiting and retaining quality staff (refer to page 54 for more information).

Figure 4 shows our attrition rate as a percentage of our total Full Time Equivalent (FTE) over the last three years.

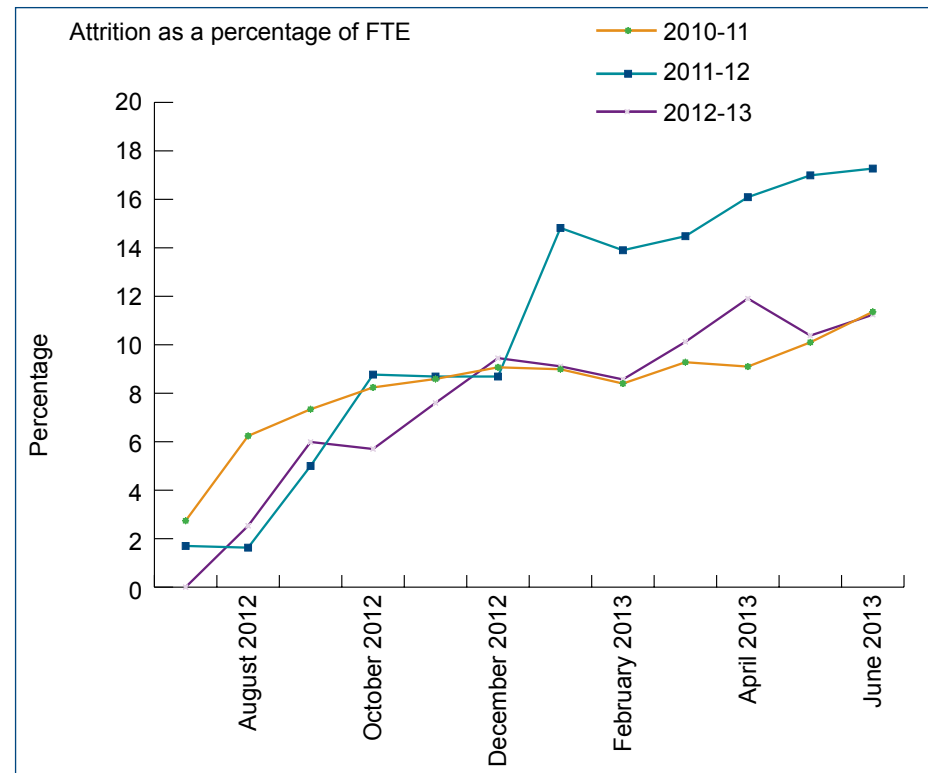


Figure 4

Our People

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 34 per cent of staff from culturally and linguistically diverse and non-English speaking backgrounds.

In 2012-13 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.

Table 16 shows the representation of each diversity group as a percentage of our workforce at 30 June 2013.

Equity and Diversity	2010 %	2011 %	2012 %	2013 %
Women	58.5	58.9	58	58
Aboriginal people	0	0	0	0
People from culturally diverse backgrounds	40.6	36.4	25	34
People with disabilities	3.3	3.1	2.9	1.3
Youth	13	9.8	11.7	11.8

Table 16

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 understand their obligations and will comply with the requirements.

Employee relations

The Office operated over the course of the year in a cooperative industrial climate, supported by our staff-led Office Consultative Committee.

We continue to provide the confidential Employee Assistance Program, which can be accessed by our employees and their immediate family members. Corporate Executive regularly receives de-identified data reports on the use of the program, allowing the Office to detect and act on any emerging trends in employee issues.

Employee survey

We conduct a comprehensive employee survey every two years. The last survey was conducted in March 2012 and the next survey is due to be completed in early 2014.

We continue to use the information gathered from our previous surveys to inform our strategic planning, our workforce development planning and Corporate Executive decision making.

Our People

Successful graduate recruitment program

In line with our Workforce Development Plan, this year we further refined our graduate recruitment and induction program.

As part of our 2013 graduate recruitment drive 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 2013 intake
- notified all the Heads of Business/Accounting school lecturers and requested that they notify relevant graduating students
- advertised early for the 2013 intake, in March 2012, to bring us in line with commercial accounting firms' graduate program advertising.

Opportunities were taken to keep the new graduates engaged before they took up their appointment with the Office in the following February, this included invites to our professional and social events.

The number of applications for our 2013 graduate intake exceeded our expectations with a 56 per cent increase in applicant numbers. The quality from 2012 was maintained with a larger pool of applicants to choose from.

We were pleased to welcome eight new graduates to the Office in February 2013.

Enhanced support for graduates and junior auditors

We continue to strengthen our professional development support for graduates and junior auditors throughout their first three years with a comprehensive, targeted monthly program that also supports their professional studies in CPA and ICAA.

In June 2011, in a Western Australian first, the Office of the Auditor General was 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. Throughout this year, our employees have continued to receive a number of benefits, most notably automatic continuing professional development recognition for CPA auditors.

University liaison program

We consider our relationship with the state universities an important part of our ongoing graduate recruitment program, our commitment to professional and academic development and as part of our annual Information Systems audit work.

Our Office has a number of initiatives in place to further develop, nurture and capitalise on our relationships with the universities, including:

- sponsorship of awards and scholarships at the five Western Australian universities – Curtin, Edith Cowan, Murdoch, Notre Dame and the University of WA

Our People

- recruitment advertising through the university hubs, particularly for our graduate program
- liaison with the Business School Heads regarding graduate positions and performance and compliance audit positions available
- intern placements with our Office, which provide direct links to the interns' specific university.

Secondments, traineeships and mentoring

The Office continues its strong support for school-based trainees, youth and work experience programs and placements. It continues to be rewarding to mentor and work alongside school based trainees and watch them mature and develop into valuable members of the public service workforce. 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 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.

Table 17 shows the different placements in and out of our Office over the last two years.

Placements	2011-12	2012-13
Secondments		
• Into the Office from other agencies	7	8
• Out of the Office to other agencies	14	15
Trainees	3	2
Work Experience	4	0

Table 17

We also actively encourage and support mentoring opportunities as a way of developing skills and building relationships. While predominately internal, some mentoring occurs between our employees and external public sector agencies.

Our People



L to R: Alison Wallace, Urbis; Sue Paterson, Office of the Auditor General; Gary Banks, Dean, ANZSOG.

Accolades for hard work and dedication

One of our senior female employees, Sue Paterson, Audit Director Compliance and Information Services Division, won a prize this year for achieving the highest mark in the Australia and New Zealand School of Government (ANZSOG) core subject 'Decision Making Under Uncertainty' in the 2010 Executive Master of Public Administration (EMPA) cohort. Sue was selected to complete the two year part time postgraduate EMPA qualification, which is designed to assist future leaders develop the management and policy skills needed in today's public sector. Given the high calibre of the EMPA students, Sue's award was truly an outstanding achievement. Our Office is proud to continue to support Sue in her professional development endeavours.

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.

Our current performance review tool aligns with our Strategic Plan 2011-16 and was developed with input from employees across all divisions.

This program tool is currently being reviewed for improvement opportunities and is likely to be updated in 2013-14.

Learning and professional development

We developed and implemented our Professional Development Plan for the 2013 calendar year, which outlines our requirements, strategies and goals for the year.

The Office's Professional Development (PD) Program continued over the year with sessions being led by both internal and external subject experts. The continually improving program has seen the monthly pattern embedded across the Office, resulting in high attendance levels. The agenda has evolved with regular Corporate Executive reports and specialised sessions targeted to the appropriate employees.

Our People

Our PD Committee and divisional PD representatives work together to coordinate, monitor and evaluate our PD program. Feedback about the program is regularly provided to Corporate Executive for review and continuous improvement.

This year we have revamped our PD intranet page, making a wide variety of PD information, tips, tricks, advice, agendas and presentations available to the entire Office in an easily accessible location.

The 2012–13 professional development sessions included:

- whole of Office business updates
- efficiencies in financial audit
- continuous improvement – post project reviews
- business continuity planning and risk management
- sampling techniques
- audit methodology and audit quality
- independence and professional scepticism
- information technology, intranet and TRIM tips and tricks
- human resources information and requirements
- nutrition and wellbeing sessions
- key accounting and auditing standards update.

A number of these presentations were delivered by external subject experts and all the presentations are made available on our intranet immediately following each session.

In addition, the Professional Development Committee conducted three events over the year:

- movie screening afternoon – ‘The Smartest Guys in the Room’
- orienteering team building day
- ‘Battle of the Brains’ quiz.

The Committee also organised St John Ambulance Family First Aid Awareness training for employees.

Leadership and Management Program

In line with our Strategic Plan theme of ‘Building Capacity’ and as a direct result of our Workforce Development Plan, last year we introduced a customised Leadership and Management Program for all Managers and Corporate Executive. The entire Program is staged over a two year period with each group of managers taking approximately nine months to complete and deliver their learning outcomes. This investment aims to provide advanced leadership and management skills for all our leaders, effectively resulting in a united approach to, and common language of management at the Office.

To date, a total of 42 employees have commenced the program, with another group approved to commence in 2014.

Our People

This year saw the first two groups successfully graduate the program. Their program culminated in a graduation ceremony where each participant presented to Corporate Executive their 'change project', which had been developed using leadership and management concepts, skills and tools. These projects have an immediate return and directly benefit the Office as they are all focused on enhancing the efficiency and effectiveness of our business. There are currently 32 change projects at various stages of completion, including:

- creation of an information control system which will enable tracking of audit topic information through the full lifecycle, from idea to audit
- revamp of our annual Professional Development Review program
- development of a one-stop-shop location for report tabling processes, procedures and templates
- implementation of processes to encourage the use of our intranet as a collaboration and recordkeeping tool to manage the development of our performance audits
- development of a database to track audit reports from other jurisdictions to use as part of our topic selection, research and knowledge management.

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.

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 four employees across the various work areas of our Office trained in grievance resolution in the workplace. In 2012-13, no grievance or breach claims were received.

Staff suggestion box

We introduced an online staff suggestion box in July 2010 and this continues to be a popular communication tool. Employees can ask questions or make suggestions on issues relating to the Office and a response is coordinated and posted by the Assistant Auditor General, Strategy Policy and Corporate Services shortly after the submission is received.

Table 18 shows the number of submissions received since the introduction of our online suggestion box. The submissions have included a variety of issues including technical audit questions, productivity ideas and general Office accommodation issues.

Our People

Year	2010-11*	2011-12	2012-13
Submissions	20	25	14
Cumulative Total	20	45	59

Table 18

*the suggestion box was introduced in July 2010.

Although the number of suggestions has decreased we recognise this is just one communication tool available to employees. Corporate Executive is open and encouraging of direct feedback from across the Office on all matters of importance to employees.

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 – in direct support of this, one of our Strategic Plan themes is ‘Taking opportunities for improvement’.

To promote a culture of innovation and to foster innovative ideas across the Office we established an ‘Innovation Team’ in early 2012. The Auditor General is a member of the Innovation Team, demonstrating firm commitment from the Corporate Executive for innovation at the Office.

A total of 95 ideas have been submitted to the Innovation Team for consideration since the Team began collecting ideas from employees in April 2012. The Team has assessed these ideas using an

innovation assessment matrix and is currently advancing a number of these ideas in consultation with Corporate Executive.

A sample of some of the successful ideas that have already been implemented include:

- development of a new online reporting platform on our website (refer to page 65 for further detail)
- introduction of an internal instant messaging service (refer to page 32 for further detail)
- implementation of electronic forms on our intranet for processing human resources and finance requests.
- new ‘Ask the AG’ Q&A sessions at our whole of Office Forums

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, new committee members were appointed representing a wider spectrum of the different work areas of our Office.

In 2012-13 our Office supported a number of wellness related

Our People

initiatives, including:

- a group visit to donate blood to the Australian Red Cross Blood Service
- group and one-on-one ergonomics sessions for employees
- annual flu vaccination program
- TravelSmart Workplace initiatives
- National Walk to Work Day - encouraging employees to include regular walking in their daily routine
- awareness raising of R U OK? Day, Mental Health Week and Lifeline
- an Office basketball team and the promotion of the availability of nearby yoga classes
- external guest speakers at our PD days, including an expert nutritionist.

We have also significantly revamped our Wellness intranet page to now include a variety of health and wellness tips, recipes and advice.

Doing our bit for charity

Our Office has always participated in fundraising activities and pride ourselves on doing our bit for charity. This year we decided to formalise our approach to fundraising and charity with Corporate

Executive approving which charities and events we will support throughout the year. By forward planning we can be sure our charity efforts are as effective as possible. Some of the fundraising efforts we conducted throughout 2012-13 include:

- Cancer Council Biggest Morning Tea
- the Ride to Conquer Cancer
- HBF Run for a Reason
- Red Cross Blood Donation.

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 2012-13 included:

- a spring breakfast
- Melbourne Cup lunch and race screening
- sundowners
- end of year lunch
- end of financial year lunch.

Our People

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. We once again supported Earth Hour and our current Energy Management Plan contains initiatives and targets aimed at reducing our energy use and the associated greenhouse gases.

Communications

The work of the Auditor General attracts wide interest from Parliament, government agencies, the media and the community.

We have a Communications Strategy in place that is reviewed annually to determine our communication challenges, gaps, requirements and solutions.

Innovative online delivery of audit reports

The redevelopment of our website in May 2013 was centred on the creation of an innovative new online reporting model, which allows us to deliver our reports in a more dynamic and accessible manner. We are now able to include additional information relevant to that report, such as related reports, media coverage, social media commentary and interactive timelines, which we could not present in our official hard copy reports. Please refer to page 66 for more information.

Increased promotion through social media

In April 2013 we embraced social media and started using Twitter to increase awareness of our audit reports and to promote employment opportunities with our Office. We developed a Twitter policy, as well as a separate Social Media policy to guide employees on acceptable use of social media in relation to their employment with the Office.

Our Twitter handle is @OAG_WA

In order to further increase our accessibility across a range of devices, this year we also introduced Quick Response (QR) codes on our reports, media releases and summary cards, which can be scanned using a mobile phone to immediately access our website with further information on the report. A QR code has also been included on the back cover of this report.

Enhanced intranet and website improving communication and collaboration

The Office has recognised that our website and intranet are increasingly important communication tools and this year we have focused on further improving these sites. An important component of this work has been the development of an online vision for our Office.

We conducted a workshop with our Online Communications Working Group, Corporate Executive and other representatives from across the Office to develop the online vision and guiding principles in line with our Strategic Plan 2011-16. This incorporates the intranet,

Our People

website, social media, possible future extranet and online governance.

The resulting Vision approved by Corporate Executive is:

Enabling our Office to engage openly and appropriately with trusted stakeholders, the wider public and our staff through a quality online presence that accurately represents the Office and the services we provide.

In line with our online vision, we continue to utilise our website as one of our primary external communication tools and the redevelopment of our website in May 2013 resulted in many significant improvements, including:

- innovative new online presentation of our audit reports
- enhanced community consultation and collaboration function
- clean, inviting and contemporary look and feel
- improved navigation allowing for better accessibility
- compliance with the Web Content Accessibility Guideline (WCAG) Version 2.0 Level A.

Feedback to date in relation to our redeveloped website, and in particular the online reporting component, has been very positive.

We are also continuing work on revamping our intranet to bring it in line with the latest technology available and to further realise its potential as an important communication, collaboration and recordkeeping tool.

We have established 'intranet champions' in each of our divisions and are currently working with them to determine the ongoing business requirements for our intranet.

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.

The work on the intranet is proving fruitful with analytics showing that more people are using it to access information and for collaboration.

Figure 5 shows a significant increase in page hits over the intranet from August 2012 to June 2013.

Our People

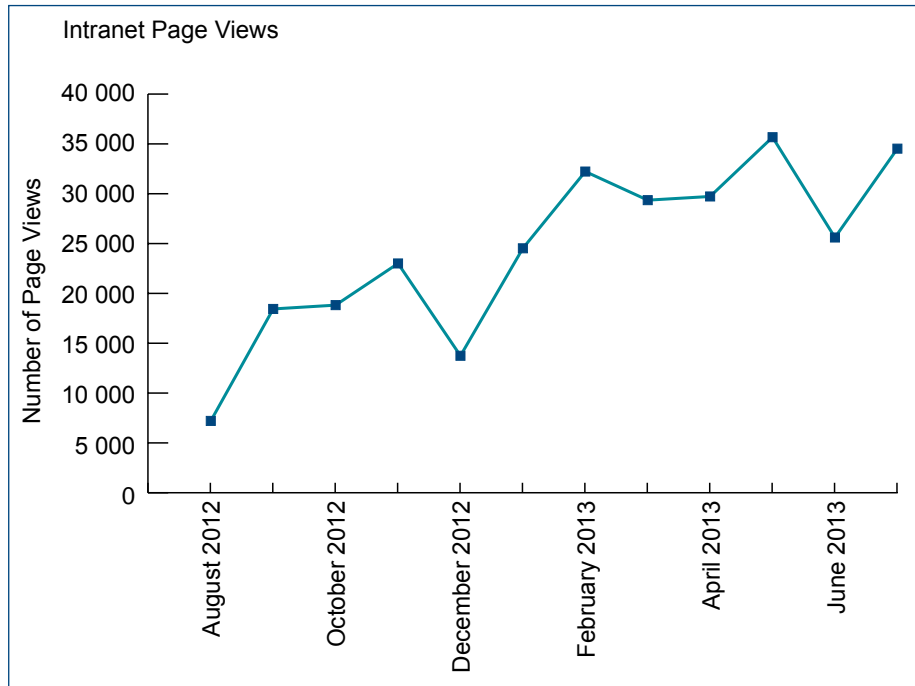


Figure 5

For further information on our information technology achievements in 2012-13 please refer to page 32.

Plain English training

Our Office actively promotes plain English writing to all our employees. We include customised plain English training in our graduate induction program and we encourage employees to attend plain English courses where required. We engage the Plain English Foundation to run internal workshops titled 'Writing to Account'. This workshop is designed to build on existing writing skills to help employees make their documents precise, clear, readable, efficient, accountable and credible.

Office Forums

We continue to 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. These forums are supplemented by our monthly Professional Development sessions, where important employee information is shared with all employees outside the scheduled Office Forums.

Financial Statements and Performance Indicators

Disclosure and Legal Requirements

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

Certification of Financial Statements	69	Note 16. Amounts receivable for services (Holding Account)	97	Other Disclosures	115
Independent Auditor's Opinion	70	Note 17. Other assets	98	Other financial disclosures	115
Statement of Comprehensive Income	74	Note 18. Property, plant and equipment	98	Capital works	115
Statement of Financial Position	75	Note 19. Intangible assets	99	Employees	115
Statement of Changes in Equity	76	Note 20. Impairment of assets	99	Senior officers	115
Statement of Cash Flows	77	Note 21. Payables	99	Other employment	116
Summary of Consolidated Account Appropriations and Income Estimates	78	Note 22. Provisions	100	Other Legal Requirements	117
Notes to the Financial Statements	79	Note 23. Equity	102	Statement of Compliance with <i>Disability Services Act 1993</i>	117
Note 1. Australian Accounting Standards	79	Note 24. Notes to the Statement of Cash Flows	102	Statement of Compliance with <i>Electoral Act 1907</i> Section 175ZE (advertising)	119
Note 2. Summary of significant accounting policies	79	Note 25. Resources provided free of charge	103	Statement of Compliance with the <i>Public Sector Management Act 1994</i> Section 31(1)	120
Note 3. Key sources of estimation uncertainty	88	Note 26. Commitments	103	Statement of Compliance with the <i>State Records Act 2000</i> , Section 61 and State Records Commission Standards, Standard 2, Principle 6	120
Note 4. Disclosure of changes in accounting policy and estimates	88	Note 27. Events occurring after the end of the reporting period	104	Good Governance Principles	121
Note 5. Employee benefits expense	95	Note 28. Explanatory statement	104	Government Policy Requirements	125
Note 6. Supplies and services	95	Note 29. Financial instruments	105	Occupational safety and health and injury management	125
Note 7. Depreciation and amortisation expense	95	Note 30. Remuneration of senior officers	110	Appendix 1: Our Strategic Progress	128
Note 8. Accommodation expenses	96	Note 31. Remuneration of auditor	110	Appendix 2: How We Choose Our Performance Audit Topics	134
Note 9. Other expenses	96	Note 32. Related bodies	110	Appendix 3: Audit Clients	136
Note 10. User charges and fees	96	Note 33. Affiliated bodies	110	Appendix 4: Glossary	139
Note 11. Net gain/(loss) on disposal of non-current assets	96	Note 34. Special purpose accounts	110	Index	141
Note 12. Other revenue	96	Note 35. Supplementary financial information	111		
Note 13. Income from State Government	97	Certification of Performance Indicators	112		
Note 14. Restricted cash and cash equivalents	97	Performance Indicators	113		
Note 15. Receivables	97				

Certification of Financial Statements

for the year ended 30 June 2013

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

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 2013 and the financial position as at 30 June 2013.

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 CA
CHIEF FINANCE OFFICER
5 August 2013



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
5 August 2013

Independent Auditor's Opinion

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 2013, 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



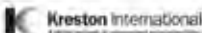
The Auditor General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Auditor General determines is necessary to enable 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.



Independent Auditor's Opinion

Independent Auditor's Report To the Parliament of Western Australia Office of the Auditor General *(Continued)*



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 2013 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.

Report on Controls

We have audited the controls exercised by the Office of the Auditor General during the year ended 30 June 2013.

Controls exercised by the Office of the Auditor General are those policies and procedures established by the Auditor General to ensure 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.

Auditor General's Responsibility for Controls

The Auditor General is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Office complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

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 during the year ended 30 June 2013.

Independent Auditor's Opinion

Independent Auditor's Report To the Parliament of Western Australia Office of the Auditor General *(Continued)*



Report on the Key Performance Indicators

We have audited the key performance indicators of the Office of the Auditor General for the year ended 30 June 2013.

The key performance indicators are the key effectiveness indicators and, the key efficiency indicators that provide information on outcome achievement and service provision.

Auditor General's Responsibility for the Key Performance Indicators

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 and for such controls as the Auditor General determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

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 and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Auditor General's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.


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

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 2013.

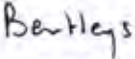
Independent Auditor's Opinion

Independent Auditor's Report
To the Parliament of Western Australia
Office of the Auditor General (Continued)




Independence
In conducting this audit, we have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators
This auditor's report relates to the financial statements and key performance indicators of the Office of the Auditor General for the year ended 30 June 2013 included on the Office's website. The Auditor General is responsible for the integrity of the Office's website. This audit does not provide assurance on the integrity of the Office's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



BENTLEYS
Chartered Accountants



CHRIS WATTS
Director

DATED at PERTH this 5th day of August 2013

Statement of Comprehensive Income

for the year ended 30 June 2013

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

	Note	2013 \$000	2012 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	5	13 444	12 591
Supplies and services	6	6 482	7 179
Depreciation and amortisation expense	7	458	386
Accommodation expenses	8	2 057	1 651
Loss on disposal of non-current assets	11	–	10
Other expenses	9	58	58
Total cost of services		22 499	21 875
Income			
<i>Revenue</i>			
User charges and fees	10	15 467	16 006
Other revenue	12	22	61
Total Revenue		15 489	16 067
Total income other than income from State Government		15 489	16 067
NET COST OF SERVICES		7 010	5 808
Income from State Government	13		
Service appropriation		6 665	5 864
Services received free of charge		470	233
Total income from State Government		7 135	6 097
SURPLUS FOR THE PERIOD		125	289
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		125	289

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

Statement of Financial Position

as at 30 June 2013

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

	Note	2013 \$000	2012 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	24	2 789	2 079
Receivables	15	7 211	7 028
Amounts receivable for services	16	297	297
Other current assets	17	282	114
Total Current Assets		10 579	9 518
Non-Current Assets			
Restricted cash and cash equivalents	14,24	467	326
Amounts receivable for services	16	1 339	995
Property, plant and equipment	18	534	679
Intangible assets	19	204	67
Total Non-Current Assets		2 544	2 067
TOTAL ASSETS		13 123	11 585
LIABILITIES			
Current Liabilities			
Payables	21	1 236	1 123
Provisions	22	2 656	2 398
Total Current Liabilities		3 892	3 521
Non-Current Liabilities			
Provisions	22	792	610
Total Non-Current Liabilities		792	610
TOTAL LIABILITIES		4 684	4 131
NET ASSETS		8 439	7 454
EQUITY			
	23		
Contributed equity		7 181	6 321
Accumulated surplus		1 258	1 133
TOTAL EQUITY		8 439	7 454

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 2013

	Note	Contributed equity \$000	Accumulated surplus \$000	Total equity \$000
Balance at 1 July 2011	23	6 321	844	7 165
Surplus		–	289	289
Total comprehensive income for the period		–	289	289
Transactions with owners in their capacity as owners:				
Capital appropriations		–	–	–
Total		–	–	–
Balance at 30 June 2012		6 321	1 133	7 454
Balance at 1 July 2012		6 321	1 133	7 454
Surplus		–	125	125
Total comprehensive income for the period		–	125	125
Transactions with owners in their capacity as owners:				
Capital appropriations		860	–	860
Total		860	–	860
Balance at 30 June 2013		7 181	1 258	8 439

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 2013

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

	Note	2013 \$000	2012 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		6 024	5 429
Capital appropriations		860	–
Holding account drawdown		297	482
Net cash provided by State Government		7 181	5 911
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(13 014)	(12 274)
Supplies and services		(6 630)	(7 344)
Accommodation		(1 606)	(1 442)
GST payments on purchases		(861)	(883)
GST payments to taxation authority		(996)	(858)
Other payments		(58)	(58)
Receipts			
User charges and fees		15 405	15 037
GST receipts on sales		1 638	1 589
GST receipts from taxation authority		221	397
Other receipts		22	61
Net cash used in operating activities	24	(5 879)	(5 775)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(451)	(574)
Net cash used in investing activities		(451)	(574)
Net increase/(decrease) in cash and cash equivalents		851	(438)
Cash and cash equivalents at the beginning of the period		2 405	2 843
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24	3 256	2 405

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 2013

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

	2013 Estimate \$000	2013 Actual \$000	Variance \$000	2013 Actual \$000	2012 Actual \$000	Variance \$000
DELIVERY OF SERVICES						
Item 48 Net amount appropriated to deliver services	6 017	6 017	–	6 017	5 235	782
Amount Authorised by Other Statutes						
- <i>Salaries and Allowances Act 1975</i>	648	648	–	648	629	19
Total appropriations provided to deliver services	6 665	6 665	–	6 665	5 864	801
CAPITAL						
Item 132 Capital appropriations	860	860	–	860	–	860
GRAND TOTAL	7 525	7 525	–	7 525	5 864	1 661
DETAILS OF EXPENSES BY SERVICE						
Public Sector Auditing	22 017	22 499	482	22 499	21 875	624
Total Cost of Services	22 017	22 499	482	22 499	21 875	624
Less Total Income	(15 599)	(15 489)	110	(15 489)	(16 067)	578
Net Cost of Services	6 418	7 010	592	7 010	5 808	1 202
Adjustments	247	(345)	(592)	(345)	56	(401)
Total appropriations provided to deliver services	6 665	6 665	–	6 665	5 864	801
CAPITAL EXPENDITURE						
Purchase of non-current physical assets	547	451	(96)	451	574	(123)
Adjustments for other funding sources	313	409	96	409	(574)	983
Capital appropriations	860	860	–	860	–	860

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

Note 28 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2013 and between the actual results for 2013 and 2012.

Notes to the Financial Statements

for the year ended 30 June 2013

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

Note 1. Australian Accounting Standards

General

The Office of the Auditor General's (the Office) financial statements for the year ended 30 June 2013 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards 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*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2013.

Note 2. Summary of significant accounting policies

(a) General statement

The Office is a not-for-profit reporting entity that prepares general purpose financial statements 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 2006* (Western Australia) and the Treasurer's Instructions impose legislative provisions that govern 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).

Notes to the Financial Statements

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.

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 appropriation's 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.

Notes to the Financial Statements

Provision of services

Revenue is recognised 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 into 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 2012-13 Budget Statements, the Office retained \$15.5 million in 2013 (\$16.0 million in 2012) 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 and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

(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

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

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

Notes to the Financial Statements

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 and computer equipment	2 to 10 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 lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

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.

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.

Notes to the Financial Statements

(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 in profit or loss. 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 and cash equivalents, the Office has two categories of financial instruments:

- Loans and receivables; and
- 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

Notes to the Financial Statements

- 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 remeasurement is not required as the effect of discounting is not material.

(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 21 '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 fair value.

The accrued salaries suspense account (*see note 14 '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 at original invoice amount less an allowance for any uncollectible amounts (i.e. 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.

Notes to the Financial Statements

(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 settlement is generally 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 leave 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 that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Annual leave that is not expected to be settled within 12 months after the end of 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 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 end of the reporting period.

Long service leave

A liability for long service leave is recognised after an employee has completed one year of service based on remuneration rates current as at the end of the reporting period. An actuarial assessment of long service leave undertaken by PricewaterhouseCoopers Actuaries at 31 May 2012 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.

Notes to the Financial Statements

Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and 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 current provision as employees can leave the scheme at their discretion at any time.

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 year. The provision recognises the value of salary set aside for employees and is measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

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.

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). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Office makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Office's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

Notes to the Financial Statements

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 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, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

(r) Assets and services received free of charge or for nominal cost

Assets and services received free of charge or for nominal cost are recognised as income at the fair value of the assets and/or the fair value of those services that the Office would otherwise pay for, where the fair value can be reliably measured. A corresponding expense is recognised for services received. 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.

During the period, \$681 000 in salary recoups for staff on secondment at other agencies which were recognised as miscellaneous revenue

Notes to the Financial Statements

in the 2011-12 financial year were reclassified as credits to employee benefits expense. This change in presentation is considered to provide more relevant information and has also been adopted in the current financial year. Refer note 5 'Employee benefits expense'.

During the period, \$484 000 in contract audit invoices which were recognised as accrued expenses in the 2011-12 financial year were reclassified as work-in-progress contractor audit work payable.

This change in presentation is considered to provide more relevant information and has also been adopted in the current financial year. Refer note 21 'Payables'.

Note 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 estimations 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.

Note 4. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2012 that impacted on the Office.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There is no financial impact.

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 the Financial Statements

		Operative for reporting periods beginning on/after
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i> amended the mandatory application date of this Standard to 1 January 2015. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015
AASB 10	<p><i>Consolidated Financial Statements</i></p> <p>This Standard supersedes AASB 127 <i>Consolidated and Separate Financial Statements</i> and Int 112 <i>Consolidation – Special Purpose Entities</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10 <i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments</i>. There is no financial impact.</p>	1 Jan 2014
AASB 11	<p><i>Joint Arrangements</i></p> <p>This Standard supersedes AASB 131 <i>Interests in Joint Ventures</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. There is no financial impact.</p>	1 Jan 2014
AASB 12	<p><i>Disclosure of Interests in Other Entities</i></p> <p>This Standard supersedes disclosure requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i>.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. There is no financial impact.</p>	1 Jan 2014

Notes to the Financial Statements

		Operative for reporting periods beginning on/after
AASB 13	<p><i>Fair Value Measurement</i></p> <p>This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. There is no financial impact.</p>	1 Jan 2013
AASB 119	<p><i>Employee Benefits</i></p> <p>This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.</p> <p>The Office does not have any defined benefit plans, and therefore the financial impact will be limited to the effect of discounting annual leave and long service leave liabilities that were previously measured at the undiscounted amounts.</p>	1 Jan 2013
AASB 127	<p><i>Separate Financial Statements</i></p> <p>This Standard supersedes AASB 127 <i>Consolidated and Separate Financial Statements</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of the Standard was deferred by one year for not-for-profit entities by AASB 2012-10. There is no financial impact.</p>	1 Jan 2014
AASB 128	<p><i>Investments in Associates and Joint Ventures</i></p> <p>This Standard supersedes AASB 128 <i>Investments in Associates</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. There is no financial impact.</p>	1 Jan 2014
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.</p>	1 Jul 2013

Notes to the Financial Statements

		Operative for reporting periods beginning on/after
AASB 1055	<p><i>Budgetary Reporting</i></p> <p>This Standard specifies the nature of budgetary disclosures and the circumstances in which they are to be included in the general purpose financial statements of not-for-profit entities within the General Government Sector. The Office will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p>	1 Jul 2014
AASB 2010-2	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]</i></p> <p>This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.</p>	1 Jul 2013
AASB 2010-7	<p><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 Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>AASB 2012-6 amended the mandatory application date of this Standard to 1 January 2015. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015
AASB 2011-2	<p><i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]</i></p> <p>This 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. There is no financial impact.</p>	1 Jul 2013

Notes to the Financial Statements

		Operative for reporting periods beginning on/after
AASB 2011-6	<p><i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]</i></p> <p>This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.</p>	1 Jul 2013
AASB 2011-7	<p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>. For not-for-profit entities it applies to annual reporting periods beginning on or after 1 January 2014. There is no financial impact.</p>	1 Jan 2014
AASB 2011-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i></p> <p>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.</p>	1 Jan 2013
AASB 2011-10	<p><i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]</i></p> <p>This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. There is limited financial impact.</p>	1 Jan 2013

Notes to the Financial Statements

		Operative for reporting periods beginning on/after
AASB 2011-11	<p><i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i></p> <p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.</p>	1 Jul 2013
AASB 2012-1	<p><i>Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141]</i></p> <p>This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.</p>	1 Jul 2013
AASB 2012-2	<p><i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]</i></p> <p>This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. There is no financial impact.</p>	1 Jan 2013
AASB 2012-3	<p><i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i></p> <p>This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.</p>	1 Jan 2014
AASB 2012-5	<p><i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]</i></p> <p>This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.</p>	1 Jan 2013

Notes to the Financial Statements

		Operative for reporting periods beginning on/after
AASB 2012-6	<p><i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]</i></p> <p>This Standard amends the mandatory effective date of AASB 9 <i>Financial Instruments</i> to 1 January 2015. Further amendments are also made to consequential amendments arising from AASB 9 that will now apply from 1 January 2015 and to consequential amendments arising out of the Standards that will still apply from 1 January 2013. There is no financial impact.</p>	1 Jan 2013
AASB 2012-7	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, 12, 101 & 127]</i></p> <p>This Standard adds to or amends the Australian Accounting Standards to provide further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.</p>	1 Jul 2013
AASB 2012-10	<p><i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049, & 2011-7 and Int 12]</i></p> <p>This Standard makes amendments to AASB 10 and related Standards to revise the transition guidance relevant to the initial application of those Standards, and to clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.</p> <p>The Standard was issued in December 2012. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2012-11	<p><i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, 2, 8, 10, 107, 128, 133, 134 & 2011-4]</i></p> <p>This Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements.</p> <p>This Standard also extends the relief from consolidation and the equity method (in the new Consolidation and Joint Arrangements Standards) to entities complying with Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.</p>	1 Jul 2013

Notes to the Financial Statements

2013
\$000

2012
\$000

Note 5. Employee benefits expense

Wages and salaries ^{(a) (c)}	12 333	11 511
Superannuation – defined contribution plans ^(b)	1 111	1 080
	13 444	12 591

(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, GESB and other eligible funds.

(c) See note 2 (s) 'Comparative Figures' for details of a change in presentation for salary recoups for staff on secondment at other agencies

Employment on-costs expenses, such as workers' compensation insurance, are included at note 9 'Other expenses'.

Employment on-costs liability is included at note 22 'Provisions'.

2013
\$000

2012
\$000

Note 6. Supplies and services

Contracted audit work	4 323	4 885
Other services and contracts	667	586
Other staffing costs	244	347
Repairs and maintenance	370	310
Travel and accommodation	244	258
Administration	202	204
Consumables	190	186
Lease expenses	123	147
Communications	102	123
Advertising	11	7
Other	6	126
	6 482	7 179

Note 7. Depreciation and amortisation expense

Depreciation

Plant and equipment	–	12
Office and computer equipment	404	340
Total depreciation	404	352

Amortisation

Intangible assets	54	34
Total amortisation	54	34
Total depreciation and amortisation	458	386

Notes to the Financial Statements

	2013 \$000	2012 \$000
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Note 8. Accommodation expenses

Office lease rentals ^(a)	1 609	1 228
Office parking	64	107
Monthly outgoings	384	316
	<u>2 057</u>	<u>1 651</u>

(a) Refer to note 26 'Commitments'.

Note 9. Other expenses

Employment on-costs	24	24
Audit fee	34	34
	<u>58</u>	<u>58</u>

Note 10. User charges and fees

Audit fees	15 467	16 006
	<u>15 467</u>	<u>16 006</u>

	2013 \$000	2012 \$000
--	---------------	---------------

Note 11. Net gain/(loss) on disposal of non-current assets

Proceeds from disposal of non-current assets

Plant and equipment	–	–
---------------------	---	---

Costs of disposal of non-current assets

Plant and equipment	–	(10)
---------------------	---	------

Net gain/(loss)	<u>–</u>	<u>(10)</u>
------------------------	----------	-------------

Note 12. Other revenue

Contributions for the use of motor vehicle	21	22
Miscellaneous ^(a)	1	39
	<u>22</u>	<u>61</u>

(a) See note 2 (s) 'Comparative Figures' for details of a change in presentation for salary recoups for staff on secondment at other agencies.

Notes to the Financial Statements

	2013 \$000	2012 \$000
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Note 13. Income from State Government

Appropriation received during the period:

Service appropriation ^(a)	6 665	5 864
	6 665	5 864
Services received free of charge from other State government agencies during the period: ^(b)		
State Solicitor's Office	19	24
Department of Finance	451	209
	470	233
	7 135	6 097

(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 budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

(b) Assets or services received free of charge or for nominal cost are recognised as revenues at the 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.

Note 14. Restricted cash and cash equivalents

Non-current

Accrued salaries suspense account ^(a)	467	326
	467	326

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

	2013 \$000	2012 \$000
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Note 15. Receivables

Current

Accrued revenue	6 800	6 738
GST receivable	–	–
Receivable	387	290
Salary over-payments	24	–
Total current	7 211	7 028

Note 16. Amounts receivable for services (Holding Account)

Current	297	297
Non-current	1 339	995
	1 636	1 292

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.

Notes to the Financial Statements

	2013 \$000	2012 \$000
Note 17. Other assets		
Current		
Prepayments	282	114
Total current	282	114

Note 18. Property, plant and equipment

Plant and equipment		
At cost	–	–
Accumulated depreciation	–	–
Accumulated impairment losses	–	–
	–	–
Office and computer equipment		
At cost	1 519	1 260
Accumulated depreciation	(985)	(581)
Accumulated impairment losses	–	–
	534	679
	534	679

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
2013			
Carrying amount at start of period	–	679	679
Additions	–	259	259
Depreciation	–	(404)	(404)
Carrying amount at end of period	–	534	534
2012			
Carrying amount at start of period	15	504	519
Additions	–	522	522
Disposals	(3)	(7)	(10)
Depreciation	(12)	(340)	(352)
Carrying amount at end of period	–	679	679

Notes to the Financial Statements

	2013 \$000	2012 \$000
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Note 19. Intangible assets

Computer software

At cost	928	737
Accumulated amortisation	(724)	(670)
Total intangible assets	204	67

Reconciliations:

Computer software

Carrying amount at start of period	67	48
Additions	191	53
Amortisation expense	(54)	(34)
Carrying amount at end of period	204	67

Note 20. Impairment of assets

There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2013.

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.

	2013 \$000	2012 \$000
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Note 21. Payables

Current

Accrued expenses ^(a)	205	166
Accrued salaries	313	306
Paid parental leave	2	2
GST payable	–	–
Salary under-payments	6	–
Work in progress contractor audit work ^(a)	710	649
Total current	1 236	1 123

(a) See note 2 (s) 'Comparative Figures' for details of a change in presentation for work-in-progress invoices from audit contractors.

Notes to the Financial Statements

	2013 \$000	2012 \$000
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Note 22. Provisions

Current

Employee benefits provision

Annual leave ^(a)	1 242	1 025
Long service leave ^(b)	1 302	1 226
Purchased leave ^(c)	61	21
Deferred salary scheme ^(d)	40	116
	2 645	2 388

Other provisions

Employment on-costs ^(d)	11	10
	11	10
	2 656	2 398

Non-current

Employee benefits provision

Long service leave ^(b)	789	608
	789	608

Other provisions

Employment on-costs ^(e)	3	2
	3	2
	792	610

	2013 \$000	2012 \$000
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- (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 end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	1 133	935
More than 12 months after the end of the reporting period	109	90
	1 242	1 025

- (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 end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	419	367
More than 12 months after the end of the reporting period	1 672	1 467
	2 091	1 834

Notes to the Financial Statements

	2013 \$000	2012 \$000
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(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 end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	61	21
More than 12 months after the end of the reporting period	–	–
	<u>61</u>	<u>21</u>

(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 end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	–	90
More than 12 months after the end of the reporting period	40	26
	<u>40</u>	<u>116</u>

	2013 \$000	2012 \$000
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(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 9 'Other expenses'.

Movements in other provisions

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

Employment on-cost provision

Carrying amount at start of period	12	13
Additional/(reversals of) provisions recognised	2	(1)
Carrying amount at end of period	<u>14</u>	<u>12</u>

Notes to the Financial Statements

	2013 \$000	2012 \$000
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Note 23. Equity

The Western Australian 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 period	6 321	6 321
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Contributions by owners

Capital appropriation	860	–
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Total contributions by owners

Balance at end of period	7 181	6 321
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Accumulated surplus

Balance at start of period	1 133	844
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Result for the period	125	289
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Balance at end of period	1 258	1 133
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Total Equity at end of period

Total Equity at end of period	8 439	7 454
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	2013 \$000	2012 \$000
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Note 24. 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 equivalents	2 789	2 079
Restricted cash and cash equivalents (note 14 'Restricted cash and cash equivalents')	467	326
	3 256	2 405

Notes to the Financial Statements

	2013 \$000	2012 \$000
Reconciliation of net cost of services to net cash flows provided by/ (used in) operating activities		
Net cost of services	(7 010)	(5 808)
Non-cash items		
Depreciation and amortisation expense (<i>note 7 'Depreciation and amortisation expense'</i>)	458	386
Services received free of charge (<i>note 13 'Income from State Government'</i>)	470	233
Net (gain)/loss on disposal of property, plant and equipment (<i>note 11 'Net gain/(loss) on disposal of non-current assets'</i>)	–	10
(Increase)/decrease in assets		
Current receivables ^(a)	(371)	(1 217)
(Increase)/decrease in liabilities		
Current payables ^(a)	113	58
Current provisions	258	612
Non-current provisions	182	(294)
Net GST receipts/(payments) ^(b)	–	–
Change in GST in receivables/payables ^(c)	21	245
Net cash provided by/(used in) operating activities	(5 879)	(5 775)

(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, i.e. cash transactions.

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

	2013 \$000	2012 \$000
Note 25. Services provided free of charge		
During the year audit services were provided by the Office free of charge to the following departments, statutory authorities and request audits:		
Agricultural Practices Board	2	–
Department of Housing	12	–
Landcare Trust	1	–
South Caroling Cemetery	–	3
State Supply Commission	1	–
Western Australian Building Management Authority	3	–
	19	3

Note 26. Commitments

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Within 1 year	2 159	1 612
Later than 1 year and not later than 5 years	2 191	3 220
Later than 5 years	–	–
	4 350	4 832

Notes to the Financial Statements

The Office has entered into a memorandum of understanding with the Department of Finance’s Building Management and Works division for leasing floor space at Albert Facey House. The memorandum of understanding is not a legally binding agreement, however, it has been agreed that all parties will comply with the terms and conditions as if they were legally enforceable obligations. The memorandum of understanding covers a three year occupancy period with an option to renew occupancy for an additional three years. Rent is payable monthly in arrears. Contingent rent provisions within the memorandum of understanding require that the minimum lease payments shall be increased by 3.5 per cent in 2014-15 and by market indices each financial year thereafter.

Other expenditure commitments

The commitments below are inclusive of GST where relevant.

Audit services contracted through private sector audit firms at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	2 566	2 657
Later than 1 year and not later than 5 years	994	939
Later than 5 years	–	–
	3 560	3596

Note 27. Events occurring after the end of the reporting period

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

Note 28. 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% or \$250 000.

Total appropriations provided to deliver services

Significant variances between actual results for 2013 and 2012

	2013 \$000	2012 \$000	Variance \$000
Total appropriation provided to deliver services	6 665	5 864	801

The variance in the total appropriation provided to deliver services for the period was mainly due to a correction of the Office’s budget as a result of the move to net appropriation, Albert Facey House accommodation lease adjustments and accrual appropriation adjustments.

Notes to the Financial Statements

Service expenditure

Significant variances between estimate and actual for 2013

	2013 Estimate \$000	2013 Actual \$000	Variance \$000
Total cost of services	22 017	22 499	482

The variance in the total cost of services was primarily due to an increase in accommodation resources received free of charge from Department of Finance, an increase in information systems audit contracts and an increase in consultants expense for ongoing information and communications technology projects.

Significant variances between actual results for 2013 and 2012

	2013 \$000	2012 \$000	Variance \$000
Total cost of services	22 499	21 875	624
Total income	(15 489)	(16 067)	578

The variance in total cost of services was primarily due to an increase in salary expense as a result of increased recruitment and salary award increases. An increase in accommodation resources received free of charge from the Department of Finance also contributed to the variance in total cost of services. The variance in total income was predominantly due to a decrease in audit fees resulting from lower than expected work-in-progress. This also matches a decrease in audit contractor expenses.

Capital contribution

Significant variances between actual results for 2013 and 2012

	2013 \$000	2012 \$000	Variance \$000
Capital contribution	860	–	860

The variance in capital contribution was due to no capital contribution being received in 2011-12. Capital purchases in 2011-12 were funded through amounts receivable for services (drawdowns from holding account) in addition to internal cash balances.

Note 29. 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 inclusive of any allowance for

Notes to the Financial Statements

impairment as shown in the table at note 29(c) 'Financial instruments disclosures' and note 15 '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 audit receivables. 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, other than in respect of government agencies.

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 drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

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

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2013 \$000	2012 \$000
Financial Assets		
Cash and cash equivalents	2 789	2 079
Restricted cash and cash equivalents	467	326
Loans and receivables ^(a)	8 847	8 320
	12 103	10 725
Financial Liabilities		
Financial liabilities measured at amortised cost	1 236	1 123
	1 236	1 123

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

Notes to the Financial Statements

(c) Financial instrument disclosures

Credit risk

The following table details the Office's maximum exposure to credit risk 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 discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. 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.

Ageing analysis of financial assets

	Carrying Amount \$000	Not past due and not impaired \$000	Past due but not impaired					Impaired financial assets \$000
			Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
2013								
Cash and cash equivalents	2 789	2 789	—	—	—	—	—	—
Restricted cash and cash equivalents	467	467	—	—	—	—	—	—
Receivables ^(a)	7 211	6 863	294	—	54	—	—	—
Amounts receivable for services	1 636	1 636	—	—	—	—	—	—
	12 103	11 755	294	—	54	—	—	—
2012								
Cash and cash equivalents	2 079	2 079	—	—	—	—	—	—
Restricted cash and cash equivalents	326	326	—	—	—	—	—	—
Receivables ^(a)	7 028	6 781	236	—	—	11	—	—
Amounts receivable for services	1 292	1 292	—	—	—	—	—	—
	10 725	10 478	236	—	—	11	—	—

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

Notes to the Financial Statements

Liquidity risk and interest rate exposure

The following table details the Office's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure			Nominal Amount \$000	Maturity dates				
			Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000		Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000
2013											
Financial assets											
Cash and cash equivalents	–	2 789	–	–	2 789	2 789	2 789	–	–	–	–
Restricted cash and cash equivalents	–	467	–	–	467	467	–	–	–	467	–
Receivables ^(a)	–	7 211	–	–	7 211	7 211	7 211	–	–	–	–
Amounts receivable for services	–	1 636	–	–	1 636	1 636	–	297	–	1 339	–
		12 103	–	–	12 103	12 103	10 000	297	–	1 806	–
Financial liabilities											
Payables	–	1 236	–	–	1 236	1 236	1 236	–	–	–	–
		1 236	–	–	1 236	1 236	1 236	–	–	–	–

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

Notes to the Financial Statements

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure			Nominal Amount \$000	Maturity dates				
			Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000		Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000
2012											
Financial assets											
Cash and cash equivalents	–	2 079	–	–	2 079	2 079	2 079	–	–	–	–
Restricted cash and cash equivalents	–	326	–	–	326	326	–	–	–	326	–
Receivables ^(a)	–	7 028	–	–	7 028	7 028	7 028	–	–	–	–
Amounts receivable for services	–	1 292	–	–	1 292	1 292	–	297	–	995	–
		10 725	–	–	10 725	10 725	9 107	297	–	1 321	–
Financial liabilities											
Payables	–	1 123	–	–	1 123	1 123	1 123	–	–	–	–
		1 123	–	–	1 123	1 123	1 123	–	–	–	–

Interest rate sensitivity analysis

The Office has no financial assets or financial liabilities for which a change in interest rates would have an impact on the surplus for the period and equity.

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 the Financial Statements

Note 30. 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:

\$	2013	2012
170,001 – 180,000	–	2
180,001 – 190,000	–	1
190,001 – 200,000	2	–
200,001 – 210,000	1	1
230,001 – 240,000	–	1
240,001 – 250,000	1	1
250,001 – 260,000	1	–
280,001 – 290,000	1	–
380,001 – 390,000	–	1
420,001 – 430,000	1	–
	\$000	\$000
Base remuneration and superannuation	1 487	1 418
Annual leave and long service leave accruals	89	(4)
Other benefits	229	197
Total remuneration of senior officers	1 805	1 611

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

2013	2012
\$000	\$000

Note 31. 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	38	37
	38	37

Note 32. Related bodies

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

Note 33. Affiliated bodies

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

Note 34. Special purpose accounts

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

Notes to the Financial Statements

	2013 \$000	2012 \$000
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Note 35. Supplementary financial information

(a) Write-offs

During the financial year, nil (2012: nil) was written off the Office's asset register under the authority of:

The Accountable Authority	-	-
The Minister	-	-
Executive Council	-	-
	<u>-</u>	<u>-</u>

(b) Losses through theft, defaults and other causes

Losses of public money and public and other property through theft or default	-	-
Amounts recovered	-	-
	<u>-</u>	<u>-</u>

(c) Gifts of public property

Gifts of public property provided by the Office	-	-
	<u>-</u>	<u>-</u>

Certification of Performance Indicators

for the year ended 30 June 2013

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

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 2013.



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
5 August 2013

Performance Indicators

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 consistent with 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 against targets for each of the following categories of subject matter.

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

Table 19 shows our actual result for the preceding three years, and our performance against the 2012-13 target.

A crucial element of this key performance indicator is the establishment of a three year target for each category of report. A new three year target has been established for the period 2012-13 to 2015-16. While the Office aims to meet its report targets, we are also concerned with the quality of our reports and will not sacrifice this requirement in order to achieve a quantitative measure

Report Type	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	Target over 3 years
Service delivery	3	2	4	5	4	13
Economic development	2	1	1	2	2	8
Social and environment	1	2	2	4	3	9
Governance	14	10	17	14	15	45
Year Total	20	15	24	25	24	75

Table 19

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 regards for matters referred to us by Parliament. For this reason, our category targets may not always be met in any one year.

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.

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 total government expenditure.

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 Government Mid-Year Financial Projections Statement is used rather than actual total public sector expenditure as the actual results are not available at the time these key performance indicators are produced. The estimated actual is considered a reasonable estimate of actual total public sector expenditure.

Additional expenditure information to enable gross government expenditure to be calculated is sourced from annual reports of the universities (who report on a calendar year) or direct from the relevant agency.

Efficiency Indicator	2008-09 Actual \$m	2009-10 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2012-13 Actual \$m	2012-13 Target \$m
Total audit cost per \$m of gross government expenditure	579	519	509	516	497	482
Attest (annual assurance) audit cost per \$m of gross government expenditure	434	389	382	387	373	362
Performance audit cost per \$m of gross government expenditure	145	130	127	129	124	120

Table 20

The decreased audit costs per million dollars of gross government expenditure in 2012-13 arose because the Office’s expenditure increased at a lower proportional rate than government expenditure. Office expenditure increased by 2.8 per cent during 2012-13, primarily due to higher salary and accommodation costs. Conversely, government expenditure increased by 3.5 per cent over last year’s figure.

Other Disclosures

Other financial disclosures

Pricing policies

The Office's fee model is based on our legislation and Department of Treasury guidelines. Under this model we invoice 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 direct costs including salary, superannuation and training
- full recovery of identified overheads with these costs being spread over all financial audit engagements.

Capital works

During 2012-13 the Office continued with its ongoing asset replacement program and made some significant advancement with our online communications and technology. This included:

- a new wireless network providing staff with greater mobility around the Office for their wireless devices (\$50 000)

- the upgrade of several network components to strengthen the security of our network and increase storage and processing capacity (\$124 000)
- upgraded telecommunications systems (\$57 000)
- an upgrade of our intranet and website (\$23 000)
- the initial stages of development of an online Business Intelligence dashboard, which would allow internal users to surface integrated data from across different platforms (\$30 000)
- upgrades to our record keeping system, TRIM (\$9 000) and SmartStream financial management information system (\$11 000).

Employees

Employee disclosures are outlined in the 'Our Office' section from page 54.

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.

Other Disclosures

Other employment

Under Schedule 1, Clause 3 of the *Auditor General Act 2006*, 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).

We have in place a comprehensive five year plan for 2011-16.

We are committed to:

- ensuring that people with a disability, their families and carers are able to fully access our services and facilities, providing them with the same opportunities, rights and responsibilities enjoyed by all other people in the community
- consulting with people with a disability, their families and carers and where required, disability organisations to ensure that barriers to access and inclusion are addressed appropriately
- ensuring that our agents and contractors work towards the desired access and inclusion outcomes in the DAIP
- achieving the six desired outcomes of our DAIP.

The following table reports our progress against the strategies of each of the six outcomes. Each of the strategies are either in place or ongoing and are all regularly reviewed and reported against:

Outcome 1: People with disabilities have the same opportunities as other people to access the services of, and any events organised by, the Office.

Strategy	Outcome
Ensure that people with disabilities are provided with an opportunity to comment on access to services.	Plan revised
Redevelop an Access and Inclusion Policy to ensure it supports equitable access to services by people with disabilities.	Rolling Biennial Review Program
Incorporate the objectives of the DAIP into our strategic business planning, budgeting processes, and procedures and policies.	Completed
Ensure that our employees and contractors are aware of our DAIP and relevant policies and strategies.	Regular reviews Contractor briefings as appropriate
Ensure that events conducted by, or on behalf of the Office, are accessible to people with disabilities.	Ongoing

Outcome 2: People with disabilities have the same opportunities as other people to access the buildings and other facilities of the Office.

Strategy	Outcome
Ensure that our offices are accessible and meet the legislative and access standards for accessibility.	Our premises BCA Standards
Ensure that our signage is clear and easy to read.	Completed
Information is available as to access options.	Completed
Parking - close to public transport Closer to other facilities.	Location at AFH in CBD

Other Legal Requirements

Outcome 3: People with disabilities receive information from the Office in a format that will enable them to access the information as readily as other people are able to access it.

Strategy	Outcome
The community is aware that our information is available in alternative formats upon request.	DAIP reviewed Website meets accessibility standards Standard Public notice of DAIP
Improve our employees' awareness of accessible information needs and how to obtain information in other formats.	Plain English training Accessible reports PD Day training
Establish a process for ensuring that, when requested, the use of specialist support is made available at meetings.	Forms part of audit planning process
Ensure W3C Web Content Accessibility guidelines are incorporated during the design of web pages.	Website meets accessibility standards
Improve the awareness of Office Receptionist about information needs of people who are hearing impaired, and people with speech impediments.	Specialist Training

Ensure that our printed information is accessible to people with a disability.	Website meets accessibility standards Alternative format reports on request
--	--

Outcome 4: People with disabilities receive the same level and quality of service from our employees as other people.

Strategy	Outcome
Improve employee awareness and cultural awareness of disability and access issues and relevant legislation.	Update via induction, intranet
Improve skills to better our service to people with a disability.	Awareness training
Improve the awareness of new employees about disability and access issues.	Training Induction Process for New Starters

Outcome 5: People with disabilities have the same opportunities as other people to make complaints to the Office.

Strategy	Outcome
Ensure that our Referral System and Policy are accessible for people with a disability	Referral information available on redeveloped website
Improve employees' knowledge so they can facilitate the receipt of complaints from people with disability.	Specialist training, and referral process reviewed

Other Legal Requirements

Outcome 6: People with disabilities have the same opportunities as other people to participate in any public consultation we may carry out.

Strategy	Outcome
Ongoing monitoring of our DAIP to ensure implementation and satisfactory outcomes.	Plan updated for 2011-16 Regular reporting to Corporate Executive Annual reporting to Disability Services Commission

Table 21

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 2012-13 related to advertising for job vacancies; the conduct of agency and parliamentary surveys; and the Office's contribution to the macro benchmarking survey of the Australasian Council of Auditors General (ACAG). The details are as follows:

	Total \$ (ex GST)			
	2009-10	2010-11	2011-12	2012-13
Advertising agencies				
Adcorp Marketing non-staff	4 411	5 143	525	690
Adcorp Marketing staff vacancies	–	–	6 126	10 061
Big Red Sky Ltd	704	–	–	–
Market research organisations				
Orima Research Pty Ltd	50 224	51 069	54 526	61 265
Total	55 339	57 212	61 177	72 016

Table 22

Other Legal Requirements

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**

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*”.

During 2012-13 we completed an extensive review of our Recordkeeping Plan, which will be submitted to the State Records Office no later than 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 employees. 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 2013. This latest version of TRIM allows for better integration with our

Other Legal Requirements

intranet, which will make these systems more efficient and intuitive.

Throughout 2012-13 we continued to deliver regular TRIM and Recordkeeping ‘tips and tricks’ sessions at our monthly whole-of-Office Professional Development (PD) days. These snapshot training sessions are proving popular with employees and are now a standard item on our PD agenda. We also have a comprehensive instruction manual available on our intranet and training in the usage of TRIM is included as part of our general employee and graduate induction processes.

Over the last two years we have done a lot of work in addressing the structure of our TRIM recordkeeping system to further encourage our employees to use the system. One of our approaches was to create a three layer structure where employees can create subfolders, similar to how a local network drive is structured. By creating this familiar structure we have seen more of our employees choosing to use TRIM instead of local network drives.

The increasing number of subfolders created in TRIM is indicative of this trend:

	2009-10	2010-11	2011-12	2012-13
Number of sub folders created in TRIM	119	302	344	689

Table 23

Good Governance Principles

The Office of the Auditor General is committed to good governance and adheres to the Public Sector Commission’s Good Governance Guide.

The Good Governance Guide outlines nine key governance principles and 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.

Additional information:	Page
• Who we are	12
• Enabling legislation and key legislation affecting the Office’s activities	13
• Members of Parliament survey	36
• Parliamentary Liaison Program	36

Other Legal Requirements

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.

Additional information:	Page
• Organisational and divisional activities chart	15
• Senior officers	16
• Organisational strategies	18
• Workforce Development Plan	54
• Our strategic progress	128

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.

Additional information:	Page
• Organisational and divisional activities chart	15
• Senior officers	16

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 plans are reported to Corporate Executive quarterly and this provides the opportunity to review and confirm our initiatives are achieving the desired outcome.

Additional information:	Page
• Organisational strategies	18
• Workforce Development Plan	54
• Quality Assurance Plan	29
• Our strategic progress	128

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. We require our employees to complete an audit engagement independence checklist prior to commencing an audit and we report to Corporate Executive monthly on independence issues and considerations.

Other Legal Requirements

Additional information:	Page	Additional information:	Page
• Our values	13	• Organisational strategies	18
• Quality Assurance Plan	29	• Financial performance	24
6. People		• Financial statements	68
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.		8. Communication	
Additional information:	Page	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.	
• Workforce Development Plan	54	Additional information:	Page
• Our People	54	• Referrals, special investigations and public interest disclosures	38
7. Finance		• Members of Parliament survey	36
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.		• Reports tabled in 2012-13	42
		• Communication	65
		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 for our Office. The Audit and Risk	

Other Legal Requirements

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

Additional information:	Page
• Organisational strategies	18
• Risk and business continuity	30
• Quality Assurance Plan	29
• Conflict of Interest Register	31
• Potential Conflict of Interest Register	31

Government Policy Requirements

Occupational safety and health and injury management

The Office and our Corporate Executive 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 2012-13 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.

During 2012-13, the Office:

- appointed and fully trained a new OSH representative for our Office
- engaged the services of an Employee Assistance Program

- provided an annual influenza vaccination program
- made available group and one-on-one ergonomic assessments for employees
- delivered online OSH and injury management training packages for employees, supervisors and managers
- organised and delivered OSH and injury management related presentations at our monthly professional development sessions.

Injury management

The Office has an established 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 Audit and Risk Management Committee through which our employees can report any concerns of a safety and health perspective.

Our commitment to OSH is comprehensively covered in the 'Welcome to the Office of the Auditor General' booklet provided to all new employees as part of their induction process and on the Office's intranet.

Government Policy Requirements

We are aware of the importance of adequately training all staff in OSH and injury management and this continued to be a priority for us in 2012-13. Previous reports clearly showed this as a key area to be addressed and as a result we developed and customised an online training program which is currently being undertaken by all employees.

Our online training program includes two modules; one for managers and the other for all the remaining employees. Ninety per cent of all our employees have so far completed the training.

The OSH online training tool provides various reports which enable us to see specific areas where employees need further instruction or training and we are able to address these as part of our professional development program.

Our 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 evaluation of our online OSH and injury management training, which will be completed in 2013
- pending results of the above evaluation, we need to ensure full integration of our new online OSH and injury management training with our general employee and graduate induction processes.

Annual performance

Table 24 details our 2012-13 key performance indicators against the following targets:

Measure	Actual results		Results against target
	2010-11 ¹	2012-13	Target
Number of fatalities	0	0	0
Lost time injury and/or disease incidence rate	0	0	0 or 10% reduction ²
Lost time injury and/or disease severity rate	0	0	0 or 10% reduction ²
Percentage of injured workers returned to work:	n/a	n/a	Greater than or equal to 80%
I. Within 13 weeks			
II. Within 26 weeks			
Percentage of managers trained in occupational safety, health and injury management responsibilities	8%	90%	Greater than or equal to 80%

Table 24

¹ This is a three-year trend. Thus, the year is three years prior to current reporting year (ie current year is 2012-13; previous year for the trend is 2010-11).

² The reduction is calculated over a three year period.

Appendix



PROCEDURES	METHODOLOGY	FACTS	FIGURES	QUALITY
AUDIT				PEOPLE
ASSURANCE	1 Our Strategic Process		128	EXCELLENCE
TRANSPARENCY	2 How We Choose Our Performance Audit Topics		134	PEOPLE
INDICATORS	3 Audit Clients		136	ASSETS
BENCHMARKING	4 Glossary		139	STRATEGIC
VALUES				MEASURES
INCOME				TOPIC
SELECTION	WATCHDOG	AGENCY	ACTS	HISTORY
				LAWS

Our Strategic Progress

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

Status	Details
●	Satisfactory level obtained to date – ongoing measures in place
■	In progress and due to be closed out within three months
◆	Significant improvement required

Key Result Areas (KRA)

KRA1	Our clients are Parliament and the government agencies and the community of Western Australia. We strive to add value to parliament and client agencies. We continue to maintain our independence to ensure our credibility	
Objective 1.1	Quality relationships with Parliament as a key stakeholder, Parliamentary Committees, client agencies and other integrity bodies	
Strategy 1.1.1	Provide relevant and timely information through advice, briefings and reports to Parliament	●
Strategy 1.1.2	Liaison with clients about changes in public sector auditing and reporting	●
Strategy 1.1.3	Engage staff to positively influence professional standards that impact public sector reporting	●
Strategy 1.1.4	Effective Communications Strategy	●
Strategy 1.1.5	Internet development project to ensure that the website meets contemporary standards facilitating the ease of access by stakeholders	●
Strategy 1.1.6	Be a member of the Integrity Coordinating Group (ICG) where information is shared and our role and responsibility is reinforced through meetings and the annual Forum	●
Objective 1.2	Our clients understand the role of our Office	
Strategy 1.2.1	Continue to develop our professional relationships with Parliament	●
Strategy 1.2.2	Advance our professional relationship with public sector entities to raise awareness and usage of our products and services	●
Strategy 1.2.3	Appropriately inform clients about audit plans, processes and activities	●
Strategy 1.2.4	Ensure staff have the skills and ability to effectively communicate the Office's role and tasks with client agencies	●
Objective 1.3	Timely, relevant and quality assured reports to our clients on public sector performance and accountability	
Strategy 1.3.1	Seek feedback from our stakeholders to ensure our products and services serve the public interest	●
Strategy 1.3.2	Aim to table reports as planned, on time	■

Our Strategic Progress

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

Objective 1.4	Quality relationships with Australasian Council of Auditors-General (ACAG) Audit Offices	
Strategy 1.4.1	Involvement in sub committees	●
Strategy 1.4.2	Participation in quality assurance reviews of other ACAG Audit Offices	●
Strategy 1.4.3	Information sharing between audit offices to improve practice	●
Objective 1.5	Quality relationships with relevant agencies including Treasury etc to ensure that common goals are met	
Strategy 1.5.1	Liaison with central agencies and ICG member organisations to ensure that we understand common themes and areas of focus	●
Objective 1.6	Consider partnering with relevant professional organisations	
Strategy 1.6.1	Liaison with member organisations such as ICAA, CPA, to ensure that our audit approach and understanding of current issues is current	●
Objective 1.7	Consider partnering with universities to improve public sector performance and outcomes	
Strategy 1.7.1	Liaison with universities to ensure that the Office performance and outcomes is strategic and contemporary	●
KRA2 Our Products and Services	Our products and services include independent financial statement audits, performance and compliance audits, assurance reports, certifications and the sharing of knowledge and expertise. We aim to increase opportunities for improvement	
Objective 2.1	Reports and opinions that lead to improved public sector performance and accountability and readily accessible to all potential users	
Strategy 2.1.1	Enhance processes to ensure the Office is aware of emerging issues in public sector administration	●
Strategy 2.1.2	We seek input into our topic selection process from stakeholders in line with our independence mandate	■
Strategy 2.1.3	Ensure that we are always abreast of the latest technology and information by providing the reports in the most appropriate format to ensure that they are accessible by all potential users	●
Strategy 2.1.4	Deliver an appropriate mix of timely and relevant products on topics including leveraging off our product range to provide the greatest opportunity for improvement in administration across the WA public sector	●
Objective 2.2	Completion of audits of the financial statements of client agencies in accordance with auditing and professional standards	
Strategy 2.2.1	Maintain a contemporary auditing approach that efficiently delivers high quality audit work compliant with auditing, ethical and professional standards	■
Strategy 2.2.2	Continuous improvement of our quality assurance processes to enable audit methodologies and quality control systems to exceed standards and statutory requirements	●

Our Strategic Progress

Objective 2.3	Services that are shaped to anticipate and respond to the needs of Parliament and other stakeholders	
Strategy 2.3.1	Actively engage with stakeholders to ensure that we are meeting their expectations	●
Objective 2.4	Contribution to Australian and international activities that support and advance public sector auditing	
Strategy 2.4.1	Maintain our targeted activities in the region	●
Objective 2.5	The Auditor General has confidence in every audit report	
Strategy 2.5.1	An effective Standards and Quality Division	●
Strategy 2.5.2	An effective Quality Assurance Plan	●
Strategy 2.5.3	An effective Quality Framework	●
Objective 2.6	Completion of audits keeping in mind the public interest aspect	
Strategy 2.6.1	Ensure that we have communicated to staff that as well as performing the audit in accordance with auditing standards we also have another role to perform and identify public interest issues as well	●
KRA3 Our People	We not only want to meet the standards we expect of others, we want to exceed those standards, we aim to continue to build the capacity of the Office	
Objective 3.1	High performing people working in an environment that maximises their contribution to our strategic objectives	
Strategy 3.1.1	Ongoing leadership development to facilitate a motivated and productive workforce	●
Strategy 3.1.2	Identify complementary productivity and performance measures which support our business direction	●
Strategy 3.1.3	Develop an appropriate mix of innovative training and development initiatives as part of a structured learning and professional development program to support employees	●
Objective 3.2	Business innovation which is able to respond effectively to future demands and requirements	
Strategy 3.2.1	Investment in organisational capability that will give the Office a long-term benefit	●
Strategy 3.2.2	Encourage innovative approaches in our planning and business practices	●
Objective 3.3	Build the capacity of the staff of the Office	
Strategy 3.3.1	A 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	■

Our Strategic Progress

Strategy 3.3.2	Staff to demonstrate their required competency and believe that they can meet their capability within their job description form and Performance Development Review process	●
Strategy 3.3.3	An effective Professional Development Program	●
Objective 3.4	Career progression is valued and supported at the Office	
Strategy 3.4.1	A Performance Development Review Framework that supports our staff in career progression	●
Objective 3.5	Highly motivated people	
Strategy 3.5.1	Assessment of “motivational fit” by staff survey	●
Objective 3.6	A working environment that is recognised has a “ Workplace of Choice ” where people choose to work	
Strategy 3.6.1	Recognised Employer Programs for CPA, ICAA and other member organisations	●
Strategy 3.6.2	Attract external people to our Office	●
Strategy 3.6.3	Effective and timely Workforce Development Plan	■
Objective 3.7	Anticipate and respond to the evolving expectations of our workforce	
Strategy 3.7.1	Staff survey which identifies staff engagement, matters of concern and good practice	●
Objective 3.8	A robust Succession Plan that has two components including replacement planning and talent pool management	
Strategy 3.8.1	Develop and communicate a succession plan so that staff understand where the leadership team will come from	●
Objective 3.9	Service Level Agreements for each division which has divisional objectives, strategies, tasks, targets and timeframes	
Strategy 3.9.1	Service level agreement for each division	●
Objective 3.10	Work life balance for our staff and Corporate Executive	
Strategy 3.10.1	Hours of staff are monitored to ensure that the allocation of work is correct	●
Objective 3.11	Supporting a safe and healthy workplace	
Strategy 3.11.1	An active Occupational Safety and Health function at our Office	●

Our Strategic Progress

KRA4	We recognise the need to act on opportunities to improve and enhance the efficiency of our work, we work to shift effort to things that matter.		
Our Business Performance			
Objective 4.1	Efficient and effective Office operations that meet our business needs		
Strategy 4.1.1	Time, effort and resources are shifted to things that matter to help us achieve our business goals		●
Strategy 4.1.2	A robust, transparent and sustainable audit fee setting policy that is fair and equitable and shows full cost recovery		●
Strategy 4.1.3	Keep our business operations lean and straight forward while recognising broader information risks and reporting responsibilities		●
Objective 4.2	Respond effectively to changes in our environment		
Strategy 4.2.1	Continually review and improve our corporate governance and risk management framework and processes		●
Strategy 4.2.2	Maintain a strategic focus that recognises changes and facilitate a timely and appropriate response		●
Objective 4.3	Sound financial management of our business which means operating at a sustainable surplus with adequate reserves facilitating operating effectiveness and independence in line with our mandate		
Strategy 4.3.1	Perform zero based budgeting for significant items within the financial statements		●
Strategy 4.3.2	Accurate budgeting process when compared to actual		●
Strategy 4.3.3	Accurate audit fee setting process which reflects our budgeting process		●
Strategy 4.3.4	ACAG Quality Assurance review – Section 1 and 2		●
Strategy 4.3.5	Robust internal audit program with recommendations implemented on a timely basis		●
Strategy 4.3.6	Robust external audit program with recommendations implemented on a timely basis		●
Objective 4.4	Sound information systems to support the operational needs		
Strategy 4.4.1	What is the optimum Information Technology (IT) strategy that provides cost benefit		●
Strategy 4.4.2	Robust Information and Communication Technology Strategic framework as part of a robust capital funding plan that addresses operational and strategic initiatives		■
Strategy 4.4.3	Active IT Committee		●
Strategy 4.4.4	Reduce Office reliance upon IT systems provided by external service providers		■
Strategy 4.4.5	Effective business continuity systems are implemented		■

Our Strategic Progress

Objective 4.5	As a responsible corporate citizen we must do what we can to minimise harm to the planet and play our part in leading lower carbon imprint impacts and supporting the community	
Strategy 4.5.1	Corporate Social Responsibility Policy	●
Strategy 4.5.2	Green Team responsible for assisting our Office to consider the environment in decisions that we make	●
Strategy 4.5.3	Understand the carbon tax and the impact on the audit plan for the Office	●

How We Choose Our Performance Audit Topics

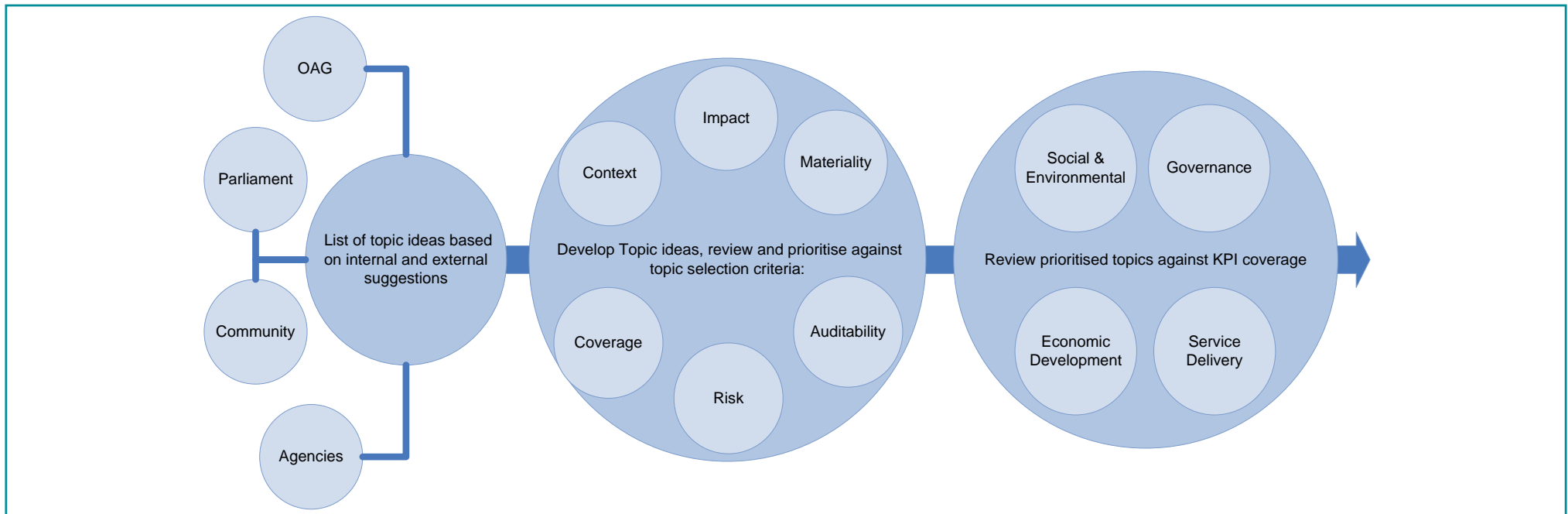
The Office conducts year-round environmental scans to identify potential topics for performance audits.

Each year we also receive many enquiries, 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.



How We Choose Our Performance Audit Topics

Twice a year, all the potential topic ideas are collated and priority projects are identified. We use this information to establish the 12 month forward program. We meet with the Public Accounts Committee and Estimates and Financial Operations Committee to discuss the forward program and other potential topics.

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 and particular regard is given to requests from Parliament. The topic criteria are:

Materiality: Does the activity or program have potentially significant financial, economic, social or environmental management implications?

Impact: Is an audit likely to have a positive impact on the community? Could it lead to improvements across the public sector in efficiency, effectiveness or accountability? Would an audit address concerns within Parliament?

Risk: Are there any indicators of known or suspected problems? Has the program changed significantly or undergone sudden expansion? Are issues emerging in related areas that could affect the area being considered for audit? Are there inherent risks that may not be well managed? Would any problems result in adverse consequences?

Context: Is there strong community interest in the topic? Does the program have high political sensitivity or national importance? Is it the right time to review this area? Are issues already well known? Is there another review or audit in progress covering similar issues? Would an audit of the area reinforce other important current messages or themes?

Coverage: Have we audited this area/agency recently? Does the topic help meet our objective of providing a balanced coverage of government portfolios and performance over time?

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

Audit Clients

at 30 June 2013

PROCEDURES METHODOLOGY FACTS FIGURES QUALITY AUDIT AUDITORS FINANCE PERFORMANCE

Audits under *Financial Management Act 2006*

Departments

Commissioner for Equal Opportunity
 Department for Child Protection and Family Support
 Department for Communities*
 Department of Aboriginal Affairs
 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 Finance
 Department of Fire and Emergency Services
 Department of Fisheries
 Department of Health
 Department of Housing
 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
 Department of Water
 Governor's Establishment

Mental Health Commission
 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
 Parliamentary Commissioner for Administrative Investigations
 Public Sector Commission
 Western Australian Police Service
 Western Australian Electoral Commission

Statutory authorities

Agricultural Produce Commission
 Animal Resources 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
 Curtin University of Technology
 C Y O'Connor Institute
 Disability Services Commission
 Durack Institute of Technology
 Economic Regulation Authority
 Edith Cowan University
 Fire and Emergency Services Superannuation Board
 Forest Products Commission
 Gaming and Wagering Commission of Western Australia
 Gascoyne Development Commission

Audit Clients

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

Gold Corporation	Australia	Professional Standards Council	The Board of the Art Gallery of Western Australia
Goldfields-Esperance Development Commission	Legal Contribution Trust	Public Transport Authority of Western Australia	The Burswood Park Board
Goldfields Institute of Technology	Legal Costs Committee	Public Trustee	The Coal Miners' Welfare Board of Western Australia
Government Employees Superannuation Board	Local Health Authorities Analytical Committee	Quadruplegic Centre Board	The Library Board of Western Australia
Great Southern Development Commission	Lotteries Commission	Racing and Wagering Western Australia	The Minister for Health in his capacity as the Deemed Board of Metropolitan Public Hospitals
Great Southern Institute of Technology	Metropolitan Cemeteries Board	Racing Penalties Appeal Tribunal of Western Australia	The National Trust of Australia (WA)
Health and Disability Services Complaints Office	Metropolitan Redevelopment Authority	Rottneet Island Authority	The Queen Elizabeth II Medical Centre Trust
Heritage Council of Western Australia	Mid West Development Commission	Rural Business Development Corporation	The University of Western Australia
Housing Authority	Minerals and Energy Research Institute of Western Australia	School Curriculum and Standards Authority	The Western Australian Museum
Insurance Commission of Western Australia	Murdoch University	Screen West (Inc.)*	Trustees of the Public Education Endowment
Keep Australia Beautiful Council (WA)	Parliamentary Inspector of the Corruption and Crime Commission	Small Business Development Corporation	WA Country Health Service
Kimberley Development Commission	Peel Development Commission	South West Development Commission	West Coast Institute of Training
Kimberley TAFE	Perth Market Authority	South West Institute of Technology	Western Australian Alcohol and Drug Authority
Landcare Trust	Perth Theatre Trust	State Supply Commission	Western Australian Building Management Authority
Law Reform Commission of Western Australia	Pilbara Development Commission	Swan Bells Foundation Inc	Western Australian Coastal Shipping Commission
Legal Aid Commission of Western	Pilbara TAFE	Swan River Trust	Western Australian Energy Disputes Arbitrator
	Polytechnic West	The Aboriginal Affairs Planning Authority	
	Potato Marketing Corporation of Western Australia	The Anzac Day Trust	
	Professional Combat Sports Commission*		

Audit Clients

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
 ECU Resources for Learning Ltd (NZ Subsidiary) STEPS Professional

Development
 Homeswest Loan Scheme Trust
 Innovative Chiropractic Learning Pty Ltd
 Keystart Bonds Limited
 Keystart Housing Scheme Trust
 Keystart Loans Limited
 Keystart Support Trust
 Murdoch Investments Company Pty Ltd
 MurdochLINK Pty Ltd
 Murdoch Retirement Services Ltd
 Murdoch University Foundation
 Murdoch University Veterinary Centre Trust
 The University Club of Western Australia Pty Ltd

Request audits

South West Cogeneration Joint Venture
 Tertiary Institutions Service Centre (Inc)
 The Director of Legal Aid and Others in Trust (Inactive)

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

*A change in name or structure will be in place from 1 July 2013 or later gazetted date.

Glossary

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

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.

Across Government Benchmarking Audits build on the annual assurance audits and are aimed at providing an indication to Parliament and agency management of how agencies are performing relative to each other on selected key control activities.

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

defined in the *Financial Management Act 2006*.

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 or Financial Audit is audit work performed to enable an opinion to be expressed on the financial statements of an entity. For most agencies, it also includes audit work to enable an opinion to be expressed on their controls and key performance indicators.

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 are audits that provide information about agency compliance with legislation, public sector policies and good practice.

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

Department means a department of the public sector established under the *Public Sector Management Act 1994*.

Direct Reporting Engagement 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 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 structured set of financial information including explanatory notes derived from accounting records to communicate for a period of time an entity's financial

Glossary

performance and cash flows, and at a point of time its financial position, that is useful to a wide range of users in making economic decisions.

Follow-up Audit – performance audits are followed up three to five years after tabling to review the extent to which recommendations from the previous performance audit have been implemented.

A **Follow-on Audit** reviews the progress in implementing recommendations from a previous report and has additional scope in covering significant issues or developments in the area or program.

Follow the Dollar Audits look at how government grants are being spent by receiving organisations.

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

Key Performance Indicator Audit is an audit 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 characteristic based on the size and /or nature of an omission or misstatement of accounting, performance or compliance information that, in the light of context or circumstances, has the potential to adversely influence the economic decisions that users make on the basis of the information.

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 on or consequence for the community, environment or target clients of government services.

Performance Audits (PA) are audits that examine 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 controls are adequate.

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

Index

PEOPLE ASSURANCE ATTEST CONTROLS AUDITING EXCELLENCE TRANSPARENCY STATEMENTS KEY

A

Across government benchmarking audits 12, 15, 26, **28, 44, 45, 47**
Administration of the Patient Assisted Travel Scheme **43**
Agency Gift Registers **47**
Agency restructures **22**
Albert Facey House **104**
Annual financial statement audits 12, **25**
Annual Report on State Finances 12
Assurance audit 25, 27, 37
Assurance Services Division 6, 15
Audit certifications 6, 12, 22, 25
Audit expectation gap **7**
Audit opinions 3, 6, 15, 25, 26, 37, 50
Auditor General **6, 12, 16, 52, 63, 66**
Auditor General Act 2006 2, **12, 13, 22, 39**
Audit and Risk Management Committee **30**
Audit clients 37, **136**
Audit fee 81, **96, 105**
Audit reports 12, 25, 26, 28, **42, 50, 65**
Audit Results Report - Annual 2011-12 Assurance Audits **48**
Audit Results Report - Universities and state training providers **44**
Australasian Council of Auditors General (ACAG) 8, 9, 50, **52, 119, 129**
Australasian Reporting Awards **11**
Australian Accounting Standards **79, 88, 139**

B

Business Continuity Plan **31, 32**
Business continuity management by port authorities **49**

C

Capital works **81, 115**
Cash Flows **77, 83, 102**
Changes in Equity **76**
Code of Conduct **57, 120**
Colin Campbell 15, 16, **17**
Colin Murphy 9, 12, 15, **16, 116, 120**
Collaborative audit **3, 7, 10, 48**
Communications **65, 95, 115, 128**
Communications strategy 19, **65, 128**
Compliance and IS Division **15, 26, 56, 60**
Compliance audits 15, **26, 129, 139**
Consolidated account **78**
Continuous improvement 19, **30, 129**
Control of funds held for specific purposes **45**
Corporate Executive 15, **16, 18, 122, 125, 131**
CPA Recognised Employer Program **58**

D

Delivering Western Australia's Ambulance Services **44**
Disability Services Act 1993 13, **117**
Don Cunninghame 15, 16, **17**

E

Electoral Act 1907 13, **119**

Employee attraction and retention 22, **54, 59, 130**
Employee benefits 24, 74, 77, **85, 87, 88, 95, 100, 101**
Employees **54, 85, 115, 130**
Employee survey **57**
Enabling legislation **13**
Engagement Quality Control Review **30**
Entrance Interviews **139**
Equity and diversity **57**
Estimates and Financial Operations Committee 9, **50, 135**
Ethics 120, **122**
Exit Interviews **139**

F

Fee model **15**
Financial auditing **25**
Financial audits 6, **25, 37, 50, 115, 139**
Financial Management Act 2006 13, 14, 25, 50, 69, **79**
Financial performance **24**
Financial position **24, 69, 75**
Financial statements 12, 15, 24, **69, 123, 129, 132, 139**
Follow-up Performance Audit of Behind the Evidence: Forensic Services **43**
Follow on Performance Audit to 'Room to Move: Improving the Cost Efficiency of Government Office Space' **46**
Fraud Prevention and Detection in the Public Sector **43**

G

Glen Clarke 15, 16, **17**
Glossary **139**
Graduate Development Program 11, 54, **58, 67, 126**
Graduate recruitment 8, 11, 54, **58**
Green team **65**
Grievance resolution **62**

H

Housing's implementation of the Head Contractor Maintenance Model **49**

I

Implementation of the National Partnership Agreement on Homelessness in Western Australia **7, 10, 48**
Income 24, **74, 80, 97, 103**
Income Estimates 24, **78**
Independence 6, 12, 13, 14, 19, 20, 21, 29, 35, 38, 122, 128, 129, 132, 134
Independent Auditor's Opinion **70**
Information and Communication Technology Committee **33, 132**
Information management **34**
Information Systems Audit Report - Security Standards Gap Analysis **42**
Information technology 15, **32, 52, 66, 132**
Innovation team **63**
Integrity agencies **39**
Integrity Coordinating Group **9, 128**

J

Jason Beeley 15, 16, 17
 Joint Standing Committee on Audit (JSCA) 8, 9, 22

K

Key effectiveness performance indicators 26, 113
 Key efficiency performance indicators 27, 114
 Key result areas 19, 21, 128
 KPIs 23

L

Large Scale Performance Audits 26
 Leadership and Management Program 11, 54, 61
 Legislative review 8, 22
 Limited Scope Performance Audits 15, 26, 28, 42

M

Major Capital Projects 48
 Management Letter 140
 Management of Injured Workers in the Public Sector 46
 Management of the Rail Freight Network Lease - Twelve Years Down the Track 46
 Managing the Road Trauma Trust Account 47
 Materiality 135, 140
 Matters of significance 15, 28, 140
 Media 42, 65
 Members of Parliament 7, 36, 38, 134

Members of Parliament survey 36

Michelle Shafizadeh 15, 16, 17, 52
 Mission 13, 19

N

Non-Payroll EFT Payments to Employees 47
 Notes to the financial statements 79

O

Occupational safety and health 125, 131
 Office Consultative Committee 57, 62, 125
 Office Forums 63, 67
 Office of Shared Services 22
 Online training 120, 126
 Organisational and divisional activities chart 15, 122
 Organisational structure 15, 122, 130
 Output 25, 26, 42

P

Parliament 7, 9, 13, 20, 36, 38, 40, 42, 80, 113, 128, 130, 134
 Parliamentary committees 7, 37, 39, 128
 Parliamentary Liaison Program 7, 36, 37
 Peer review 8, 28, 30, 50
 Performance audit 7, 15, 26, 28, 42, 50, 52, 56, 114, 134, 140
 Performance indicators 6, 12, 25, 26, 42, 113, 126, 139, 140
 Performance management framework 14
 Performance review 60
 Professional development 15, 19, 54, 58, 60, 67, 121, 125, 130, 131

Public Accounts Committee 9, 50, 135

Public Interest Disclosure Act 2003 13, 40
 Public interest disclosures 38, 40, 134
 Public sector auditing 8, 14, 80, 114, 128, 130
Public Sector Management Act 1994 13, 120, 139

Q

Quality Assurance Plan 6, 19, 29, 130
 Quality assurance reviews 129
 Quality Framework 29, 130

R

Recording, custody and disposal of portable and attractive assets 44
 Records Management in the Public Sector 34, 44
 Referrals 7, 38
 Remuneration of senior officers 110
 Reports 6, 12, 15, 25, 26, 28, 36, 42, 49, 50, 65, 113, 120, 128, 129, 140
 Risk and business continuity 30, 31, 124
 Risk management 15, 19, 21, 29, 30, 105, 123, 132
 Risk Management Practice Framework 31, 123

S

Sadie Godfrey 15, 16, 17
 Secondments 59
 Senior officers 16, 110, 115, 122
 Social club 64
 Special investigations 38, 134

Staff attrition 3, 56

Standards and Quality Division 6, 15, 29, 55, 130
 Strategic Plan 2011-16 3, 19, 20, 21, 128
 Strategic progress 21, 28, 122, 128
State Records Act 2000 14, 34, 116, 120
 Strategic themes 18, 19, 20
 Strategy, Policy and Corporate Services 15, 17
 Supply and Sale of Western Australia's Native Forest Products 42

T

Timeliness 7, 26, 37
 Topic selection 7, 27, 39, 62, 113, 129, 134
 Traineeships 59

U

University Liaison 58

V

Values 13, 19
 Vision 13, 18, 19

W

Website 8, 10, 32, 63, 65, 66, 82, 115, 118, 128
 Wellness Committee 63
 Western Australian natural disaster relief and recovery funding 49
 Work experience 59
 Workforce Development Plan 8, 15, 19, 54, 56, 130, 131

Our History

Over 180 years of audit in Western Australia

The origins of the Office of the Auditor General for Western Australia herald back to the first months of settlement of the Swan River colony in 1829. Captain Stirling formed in May (before even landing) 'a Board of Counsel and Audit in the management of the property of the Crown, and of public property within the settlement'.

This started out as a voluntary role: '... I am to acquaint you that his Excellency expects from your zeal the performance of the service required of you without reward of remuneration beyond the satisfaction you will derive from the fulfilment of a duty of this confidential nature'.

Stirling commanded the office of the Commissioners of the Board of Counsel and Audit be opened 'for the despatch of business' on 12 August 1829. But they were very humble beginnings, operating out of a tent on the site chosen for the Town of Perth.

The Swan River Colony's first Auditor, Captain Mark Currie, was appointed 1 July 1831, paid 300 pounds per annum, and was responsible to the Colonial Office through the Governor.

Since then, Western Australia has had 18 Auditors General:

1831	Capt. Mark John Currie	1954	Constantine Paul Mathea
1832	John Lewis	1962	Clifford Charles Press
1844	Peter Broun	1968	Ormond Bowyer
1846	William Knight	1969	Will Adams
1872	Edward Lane Courthope	1975	Alan Elliott Tonks
1891	Fred Spencer	1982	William Frederick Rolston
1904	Charles Samuel Toppin	1987	Allan Smith
1936	Sydney Arnold Taylor	1991	Des Pearson
1945	William Robert Nicholas	2007	Colin Murphy

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.



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