



Excellence in auditing for the benefit of Western Australians

2014

Annual Report

2013-2014

Office of the Auditor General
for Western Australia

Street address:
7th Floor, Albert Facey House
469 Wellington Street Perth

Mail to:
Perth BC, PO Box 8489
Perth WA 6849

T: 08 6557 7500 **F:** 08 6557 7600

E: info@audit.wa.gov.au **W:** www.audit.wa.gov.au

National Relay Service TTY: 13 36 77

(to assist persons with hearing and voice impairment)

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The photos on the cover of this report are of our employees
and from audits we undertook this financial year.

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THE PRESIDENT
LEGISLATIVE
COUNCIL

THE SPEAKER
LEGISLATIVE
ASSEMBLY

**ANNUAL REPORT OF THE OFFICE OF THE AUDITOR
GENERAL FOR THE YEAR ENDED 30 JUNE 2014**

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 2014.

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



COLIN MURPHY
AUDITOR GENERAL
20 August 2014

About Our Report



Welcome to our 2013-14 Annual Report, which provides a comprehensive look at our performance and the services we have delivered to meet our desired outcome of *an informed Parliament on public sector accountability and performance*.

Our annual report is not a report on the results of audits conducted, as this information is tabled separately in Parliament. Rather, it 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 2014.

The aim is to inform the reader of who we are and what we do as well as providing information of our specific activities, highlights and challenges for the 2013-14 financial year.

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

We are committed to our values of:

Integrity: we conduct our business in an independent, professional and ethical manner. We 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 our work.

Our strategic framework ensures our efforts are focused on achieving our goals and incorporates all business units of the Office. Our framework includes the identification of four key result areas where we have established clear accountabilities and outcomes against which we measure our performance and progress.

This report is structured around our four key result areas:

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. (Page 21 to 34.)

Our Clients: are Parliament, government agencies and the community of Western Australia. We continue to maintain our independence to ensure our credibility. We strive to add value to Parliament and client agencies. (Page 35 to 41.)

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. (Page 42 to 56.)

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. (Page 57 to 69.)

About Us

Who we are

The Office of the Auditor General is one of the largest audit practices in Western Australia. Our Office is located in central Perth. We audit over 200 organisations each year, and in the past 12 months we completed financial audits on over \$192 billion worth of assets.

Ours is a diverse workplace that employs not only auditors, but other people from a range of occupations and disciplines, such as administration, finance, human resources and information resources.

The Office of the Auditor General serves the public interest by providing Parliament with independent and impartial information about public sector accountability and performance. Our auditors deal with agencies that provide services in education, health, community services, natural resource management and economic development.

Auditing is a dynamic process and is linked to the evolving and changing needs of Parliament and audit clients. Our Office is continually refining its approach and quality of its products as we anticipate and respond to the requirements of our clients.

Key relationships

Unlike public sector departments and agencies, our Office does not report to any government minister but reports directly to Parliament as depicted below.



Our vision and mission

Our vision and mission drive our strategic planning and ensure our decisions and the direction we take will deliver our overall purpose to serve the public interest. Our strategic plan is incorporated into all our business units providing a strong and collaborative approach to meeting the vision and mission of this Office.

Vision

Excellence in auditing for the benefit of Western Australians

Mission

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

Our Year at a Glance

Recognised

training and partner status with CPA and Institute of Chartered Accountants Australia (page 11)

34 per cent of employees are from culturally diverse backgrounds (page 64)

92 per cent of employees surveyed would recommend our Office as a place to work to others (page 63)

New **5 year Recordkeeping Plan** approved by State Records Commission (page 117)

Tabled **26 audit reports** in Parliament (page 45)

New **report layout** was introduced for Parliament, the community and stakeholders (pages 11 and 36)

Deployed our new **business intelligence tool** (pages 8 and 33)

186 Certifications issued for Royalties for Regions projects (page 28)

99 per cent of financial audit opinions issued within 90 days of year end (page 27)

42 employees have now completed an 18 week leadership program (page 61)

83 per cent of performance audit clients surveyed rated our auditing process favourably (page 39)

85 per cent of financial audit clients rated the value of our audits highly (page 38)

90 per cent of MPs satisfied with our reports and services (page 37)

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Auditor General's Overview



Looking back over the year, I am very pleased at how well our reports covered the diversity of government operations and gave Parliament and the community an appreciation of how those areas were performing. Covering the diversity of government operations is critical, which is why we set a key performance indicator (KPI) to help measure our coverage of four broad areas – service delivery, economic development, social and environment, and governance.

On the financial audit front, we made important improvements to the usefulness of the information we provide Parliament in our annual Audit Results Report. This report summarised the annual assurance audits of the financial statements, controls and KPIs of agencies for the 2012-13 financial year. For the first time, this report provided selected additional information about trends in the state's finances and key financial ratios and other financial aspects of individual agencies that we noted during the audits. Some of this information may already have been reported in individual annual reports. However, we hope that Parliament will find the inclusion of the information in a single report is both convenient and helpful to its monitoring of the public sector.

I believe this report should now play an important part in providing transparency across government, and I will continue to look at ways to improve it.

Our Performance Audit and Information Systems audit teams continued to cover the hard and sometimes contentious topics. Recently I reported on the problems with the Fiona Stanley Hospital's Identity Access Management Project and the likelihood that intended automation of key functions will not be achieved in the short term. The audit reinforced findings we made in the past about the types of risks that are most likely to prevent ICT projects being delivered on time and budget. Reports such as the *Public Trustee: Administration of the Financial Affairs of Vulnerable People* continue to indicate that public sector agencies are dealing with the impact of a growing number of socially disadvantaged and 'at risk' people in our community. The Public Trustee is responsible for managing the financial affairs of some of the most vulnerable people in our community. This will be a continuing challenge not just for the government and its agencies but for the community as a whole and I am certain we will touch on more of this area in future audits.

Considering other relevant work and reports

We continue to consider other relevant work when determining our topic selections for the year, and our recent audit on *The Implementation and Initial Outcomes of the Suicide Prevention Strategy* followed a report on this issue from the Ombudsman of WA. This audit focused on implementation of the Western Australian Suicide Prevention Strategy 2009-2013 by the Ministerial Council for Suicide Prevention. Similarly, our audit of the project to expand the Banksia Hill Detention Centre was done in parallel with a review by the Inspector of Custodial Services into the cause of riots that occurred at the centre in January 2013. In a similar vein, our report on *Western Power's Management of its Wood Pole Assets* followed up on concerns raised by Parliament's Public Administration Committee. We assessed whether the agency had addressed these concerns, and identified some significant challenges for the state in the future. You can read more about these audits in the Annual Report's Highlights section.

Timelines not met

On the less positive side, a significant number of our reports to Parliament, which are our core business, took longer than expected. The effects were increased pressure across the business and a build up of reports in some months with a need to issue a number of reports on the same day. Tabling multiple reports on one day gives Parliament, the community and media less capacity to fully consider the issues we raise in our reports. However, it is interesting to note that some other audit offices worldwide actually take a deliberate decision to table all of their reports on one or two days each year. Nevertheless, I intend to continue to aim to table reports on separate days, and in 2014-15 I expect to have a timelier and more even spread of reports. In more positive news, we exceeded our annual KPI target of 25 reports, with 26 reports tabled.

Liaison with Parliament

As an independent officer of Parliament, I take very seriously the need to work with and assist Parliament and its committees to the extent that I can. In particular, we have a close working relationship with our oversight committees, the Joint Standing Committee on Audit, the Public Accounts Committee (PAC) of the Legislative Assembly and the Estimates and Financial Operations Committee (EFOC) of the Legislative Council. I generally meet twice per year with both PAC and EFOC to discuss matters such as emerging audit issues, the budget of my Office and our forward performance audit program.

Both PAC and EFOC are also essential to my effectiveness through their monitoring of the audit issues that I raise and their input into the topics that we select. Additionally, PAC has an important role as it follows up with agencies the actions taken in response to my performance audit reports. I appreciate the interest from Parliament and its committees in our auditing work and reports.

Legislative and performance reviews

Some progress has been made toward the required review of the *Auditor General Act 2006* and the performance of the Office. Parliament's Joint Standing Committee on Audit has established the terms of reference, and is working to establish the administrative and legal arrangements that need to be in place to undertake the review. I am now hopeful that this important review will be completed in 2014-15 and that Parliament will get the information and assurance it needs about the efficiency and effectiveness of my Office.

Business Intelligence tool

This year saw the introduction of our new Business Intelligence tool, which is another way that we can manage the progress of our reports to Parliament. In a time when the sector is being asked to do more with less, we expect this tool will deliver efficiencies through graphical and real-time reporting of project data that we can use to better monitor and control the timelines and cost of our audits.

Goodbye to an Assistant Auditor General

Unfortunately the year saw the departure of Colin Campbell, our former Assistant Auditor General for the Information Systems and Performance Audit Unit. I want to acknowledge the significant role Colin played in his 12 years with the Office. Colin was a major contributor to a long list of projects, provided valuable leadership as a member of the Executive Management Group and was a pleasure to work with.

Acknowledgements

In closing, I would like to acknowledge the work of my dedicated and skilled people and the executive team who lead them. I appreciate the commitment and passion displayed by employees at the Office of the Auditor General, and feel proud to work among them.

I also acknowledge the close working relationship we have with the Public Accounts Committee, the Estimates and Financial Operations Committee and my colleagues from other accountability organisations who make up the Integrity Coordinating Group. These relationships are highly valued, along with the important working relationship I hold with my fellow Australasian Council of Auditors-General colleagues. Finally, I thank the Parliament of Western Australia for its continued support.



COLIN MURPHY
AUDITOR GENERAL
20 August 2014

Highlights 2013-14

International relations encouraged

Helping to build on international relations and share knowledge with our neighbours was something we continued to work on this year.

In late 2013 the Office hosted eight delegates from the Board of Commissioners and senior staff from PT ASABRI (Persero) of Indonesia which manages pension and insurance arrangements for the Indonesian Armed Forces Board and police. The delegation, which included very senior military officers sought advice on audit issues associated with superannuation funds. The delegation also requested our assistance in arranging meetings with the Government Employees Superannuation Board (GESB) and the Department of Veteran Affairs (DVA). We also aided the delegation by providing one of our employees as an 'interpreter' on their visits to GESB and the DVA.

International delegation visits provide a valuable opportunity to collaborate and showcase the work of our Office, and we look forward to



The Office hosted eight Indonesian delegates shown above with three of our staff members.

doing more of this in the coming years. Similarly, employee exchanges are a great opportunity to share information and best practices with our fellow audit offices. We recently hosted secondees from the Solomon Islands and British Columbia, and sent one of our employees to the British Columbia Audit Office on secondment.

The impact of our reports

Many of our reports identified fundamental issues facing government but perhaps none more so than our *Managing the Impact of Plant and Animal Pests: A State-wide Challenge*. This audit looked at the impact of plants and animals that have been declared as pests, and identified large expectation and performance gaps in terms of government agency activities.

The graph below shows that our reports are downloaded more frequently around the time that we table reports in Parliament.

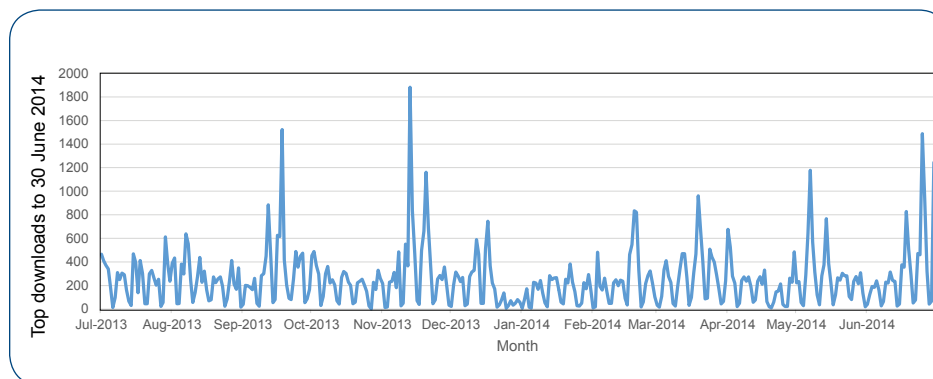


Figure 1

Banksia Hill report

This report was distinct for our Office because it arose after the Inspector of Custodial Services approached us in early 2013 asking if we would look into the redevelopment and expansion of the Banksia Hill Detention Centre as part of his review into the riots that occurred at the centre in January 2013. We assessed the issue against our topic selection criteria and decided that a performance audit of the redevelopment project was warranted.

Although we conducted the reviews separately and reported them separately, we coordinated their delivery to Parliament in order to provide Members of Parliament with a fuller view of issues relating to Banksia Hill.



Use of surveys to broaden our reports

In 2013-14 we markedly increased our use of surveys to enrich our audit findings. We had over 2 000 responses from school principals and teachers relating to our performance audit on the Department of Education's behaviour management strategies in public schools.

A statewide survey of land owners as part of our *Managing the Impact of Plant and Animal Pests: A State-wide Challenge* audit, resulted in nearly 700 responses from landholders and valuable information. Below is an example of the survey results from this audit.

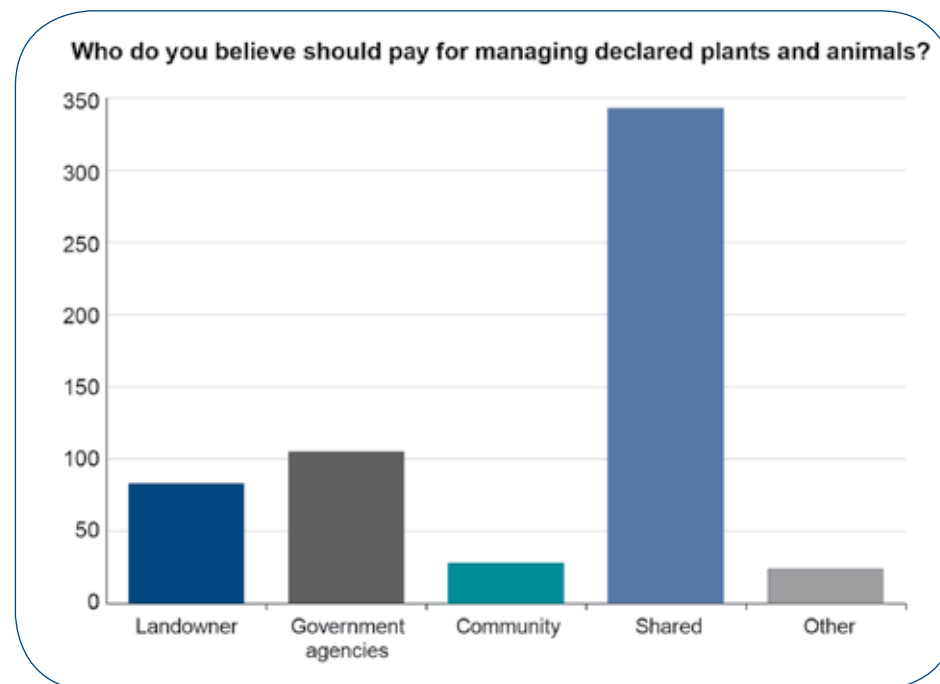


Figure 2

Our audit of the governance of boards and committees was supplemented by survey responses from 135 boards, the results of which gave us great confidence in the reliability of the findings we made from our detailed audit of six boards.

Assisting with inquiries

Obtaining the committees' views on our proposed audits and other topics of interest continues to be critical to ensuring that our audits are relevant to Parliament. Where appropriate, our Office assists committees of Parliament in undertaking their inquiries.

Advice we gave in 2013-14 included to:

- the Estimates and Financial Operations Committee of the Legislative Council in its inquiry into the Provision of Information to Parliament
- the Economics and Industry Committee in its inquiry into the Management of Western Australia's Freight Rail Network
- staff of the Public Administration Committee on matters relating to the costing and pricing of government fees and charges
- the Environment and Public Affairs Committee on matters arising from our audit *Ensuring Compliance with Conditions on Mining*.

Educating and training our employees

On the training and education front, we continue to encourage internal secondments to increase collaboration and knowledge sharing across the business. We had internal rotations from our Financial Audit to our Performance Audit business units and from our Performance unit into our Technical and Audit Quality unit. Professional development is a key focus for us, that is most notably represented by our monthly PD Days that draw upon both internal and external presenters. I am pleased to note that our level of rigour in the technical and professional development of our people has been officially recognised by both CPA and the Institute of Chartered Accountants Australia, the two key accounting professional bodies in Australia.

Reports review and assessment

We recently undertook an assessment of the layout of our parliamentary audit reports against those from across Australia and internationally to determine what works best. A new report template was subsequently designed that provides a consistent approach to the visual presentation of all reports, including a standard format for all images and graphs so they are easier to interpret. Other changes include limiting the use of colour, and more clearly highlighting the report's recommendations and the official agency response, along with a new cover design. This new template was used for the first time for our *Water Corporation: Management of Water Pipes* report tabled on 19 February 2014. The new report template can be viewed in the online Reports Archive.



Our Office

Our Vision:
*Excellence in auditing
for the benefit of
Western Australians.*

Our Mission:
*To improve public
sector performance
and accountability
by reporting
independently to
Parliament.*

Albert Facey House, Forrest Place, Perth – location of the Office of the Auditor General.

Our Office

What we do

The purpose of the Office of the Auditor General is to support the Auditor General.

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

The Auditor General reports directly to Parliament and ultimately the people of Western Australia rather than to the government. This independence and freedom from pressure, influence or interference that may erode that independence is the cornerstone of public sector audit.

Subject to the *Auditor General Act 2006* and other written laws, Mr Murphy has complete discretion in the performance of his functions.

Our values

In achieving our vision, mission and our purpose of serving the public interest, we are committed to our values of integrity, quality and people (see page 1).

Auditor General's responsibilities

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. Details of the financial statement audits undertaken in 2013-14 is provided on page 27.

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

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*

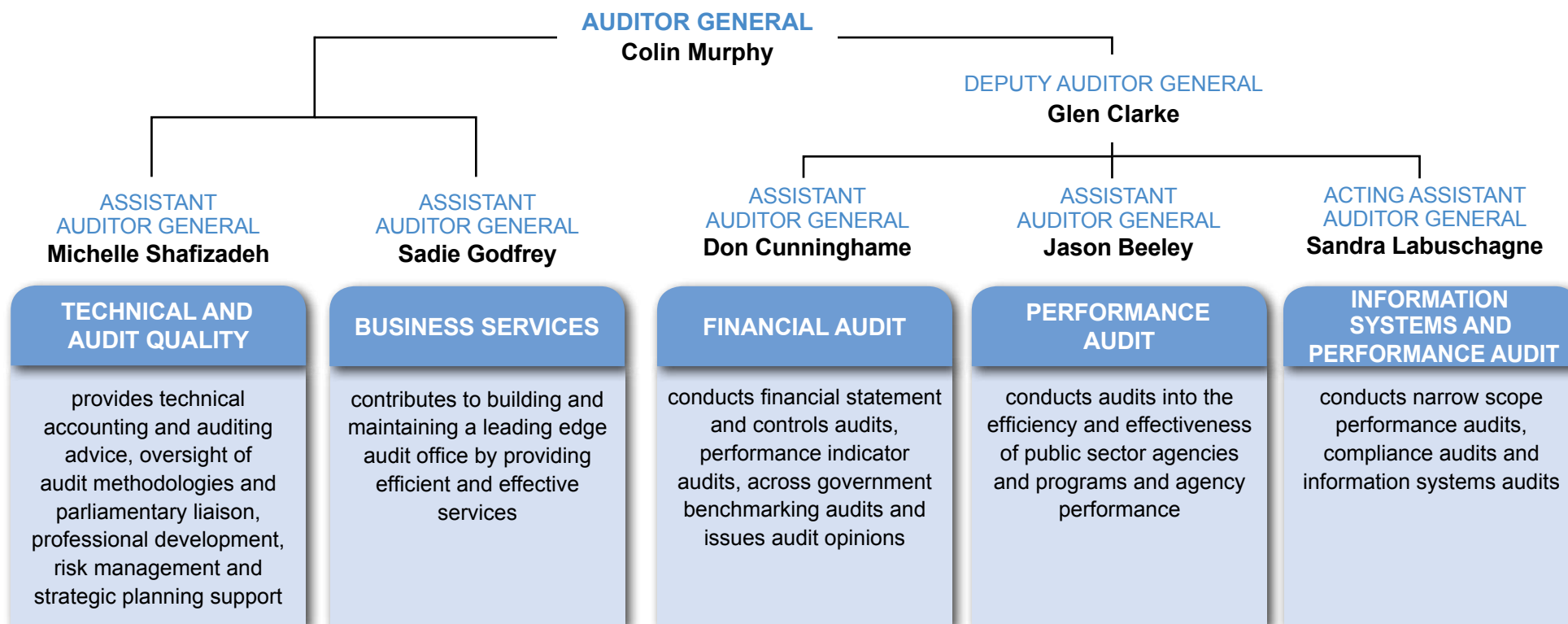
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Occupational Safety and Health Act 1984*
- *Workers' Compensation and Injury Management Act 1981*
- *Electoral Act 1907*
- *Industrial Relations Act 1979*
- *Minimum 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.

Organisational structure

The Office of the Auditor General is made up of five business units.



Note: This year saw a renaming of the different sections of the Office to better reflect their roles and areas of responsibility. The new Business Units are: Executive Management Group (formerly Corporate Executive); Financial Audit (formerly Assurance Services Division); Performance Audit (formerly Performance Auditing Division); Technical and Audit Quality (formerly Standards and Quality Division); Business Services (formerly Strategy Policy and Corporate Services) and Information Systems and Performance Audit (formerly Compliance and Information Systems Division).

Senior officers



Auditor General 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 Governance Institute of 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.



Glen Clarke

BBus, FCPA

As Deputy Auditor General, Glen is responsible for the three operational audit business units 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 (Oxon), Dip Strategic Studies

Jason joined the Office in 2006, following five years as a commercial and general manager in the defence and technology sectors. He previously worked for eight years with the UK National Audit Office in London, conducting and managing value for money studies, mainly of the Ministry of Defence. He was appointed as an Assistant Auditor General in 2009, and is Chair of the Australasian Council of Auditors-General Performance Audit Executives Group.



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 financial audit before being appointed as an Assistant Auditor General 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 an Assistant Auditor General in 2008.



Sandra Labuschagne

BCompt, Hons BCompt CA (SA)

Sandra joined the Office in 2012 and has extensive public and private sector auditing experience in South Africa, New Zealand and Australia. Sandra has worked in our Technical and Audit Quality business unit, before being appointed as an Acting Assistant Auditor General in 2014.

Note: Colin Campbell was the Assistant Auditor General for Information Systems and Performance Audit from 1 July to 4 April 2014.



Michelle Shafizadeh

BBus, FCA, Registered Company Auditor

Michelle joined the Office in 2010 and became an Assistant Auditor General 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 strategic direction

Strategic plan framework



Strategic planning

Strategic planning helps 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. Our five year strategic plan is a dynamic document that is visible within the Office and is used to set objectives and strategies, and to measure performance against realistic targets.

This plan helps us focus our energy and work towards shared goals. It guides who we are, what we do and why we do it, with a specific focus on the future and how we can shape it.

Our strategic plan is incorporated into all our business operations, including the operational plans of our Business Units, our Quality Assurance Plan (see page 30), Strategic Internal Audit Plan and Information and Communication Technology Strategic Plan.

Our Executive Management Group conducts two to three strategic planning meetings per year to track progress against our stated objectives. These meetings allow us to measure our performance, set goals for the next period and to assess and adjust our initiatives to ensure that we meet the overall strategic direction of the Office. The meetings also include discussion on a mix of operational matters, emerging opportunities and issues or weaknesses. We review ourselves against the public sector, other jurisdictions and best practice to continually assess the way that we do things. Pages 120 to 123 show a summary of our strategic plan, which acts as a report card on our strategic progress to date.

In 2013 we introduced the concept of 'critical focus items' into our strategic plan framework. These are areas we identified as warranting our increased attention. These critical focus items will be reviewed and identified each year to ensure that our efforts continue to be where they need to be.

Critical Focus Items

- Timely, relevant and quality reports on public sector performance and accountability.
- A contemporary auditing approach that efficiently delivers high quality audit work compliant with auditing, ethical and professional standards.
- A continuous improvement commitment with a specific focus on post audit reviews to improve audit performance.
- A Workforce Development Plan which is implemented on a timely basis, and our achievements regularly reported to employees and the Executive Management Group.
- Effective business continuity systems are implemented as planned.
- Robust ICT strategic framework as part of a robust capital funding plan that addresses operational and strategic initiatives.

The Office corporate governance framework

The Office corporate governance framework sits at the base of the strategic plan framework and outlines key governance documents that we use to outline how the Office plans, directs, controls and monitors key aspects of our business. The Executive Management Group reviews the currency of the documents at the strategic planning meetings. A number of these documents are referred to throughout this report.

Key result areas

Our key result areas (see pages 120 to 123) are the areas of our Office activities where we have clear accountabilities and outcomes against which we can regularly measure our performance. For all activities we undertake within these areas, serious consideration is given to our strategic themes to ensure that we meet our objectives, strategies, measures and targets.

Our Clients

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

We strive to add value to Parliament and client agencies.

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 of the Auditor General.

Strategic Themes

- Focus effort on things that matter
- Adding value to Parliament and client agencies
- Taking opportunities for improvement
- Meeting the standards we expect of others
- Protecting the Auditor General's independence and credibility
- Building capacity

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.

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.

Significant Issues for the Next Financial Year

Legislative review

Section 48 of the *Auditor General Act 2006* requires the Joint Standing Committee on Audit to carry out a review of the operation and effectiveness of the Act and the performance of the Office of the Auditor General. The Committee's terms of reference are:

- to inquire into the budget, organisational structure and resourcing needs of the Office of the Auditor General and any matters incidental thereto
- to conduct a review of the *Auditor General Act 2006* pursuant to section 48 of that Act and inquire into any other matters incidental thereto.

The review is expected to occur in 2014-15 and will have the full support of the Office.

Audit certifications

The number of audit certifications is expected to grow further in 2014-15, mainly due to the increasing number of projects funded under the Royalties for Regions scheme. This will require additional audit effort. We expect an additional 40 certifications will require auditing taking the total number to 205.

Agency restructures

The restructure, amalgamation and creation of new agencies will challenge our financial audit capacity in 2014-15. Changes include the merger of Verve Energy and Synergy, the amalgamation of a number of regional port authorities and the creation of several new health agencies. We also anticipate that for the first time we will be required to audit activity levels under the activity based funding model of the National Health Reform Agreement.

Agency restructures can have a significant impact on audit costs. Auditors are required to assess the risk profile of the new agency and to evaluate the financial and management arrangements, the implementation of reporting controls and the transfer of balances between agencies.

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

The Auditor General is responsible for providing Parliament with independent and impartial advice regarding public sector accountability. This is done through the reports our Office prepares and tables in Parliament. This year our Office tabled 26 reports, which exceeded our target of 25 reports.

Good governance principles for agencies

The Office of the Auditor General is committed to achieving good governance through:

- Strategy – we have a strong organisational structure, defined roles and responsibilities and a solid planning framework for both strategic and operational planning.
- Culture – leadership and integrity is demonstrated in our structure, conduct and values. Our employees are engaged with our goals and vision and our commitment to service delivery.
- Relations – through our communications we build relationships with internal and external stakeholders that maintain and strengthen the reputation of our Office. In all areas of our business we strive for excellence.
- Performance – through monitoring and evaluating the performance of both our individuals and our organisation we are able to identify and implement opportunities for increased efficiency and effectiveness.
- Compliance and accountability – policies processes and plans are in place to ensure we manage risk across all business areas and meet all statutory, legislative and other obligations.

The Public Sector Commission's Good Governance Guide is a valuable tool to ensure accountability obligations are met and to achieve a high standard of organisational performance.

The Good Governance Guide includes nine key governance principles. The following pages describes how we apply those principles and includes references to pages in this report for more information.

Governance principle

Where to find it in this report

1. Government and public sector relationship

Processes exist to ensure clear communication and interaction between this Office and parliamentary representatives in accordance with the relationship outlined in the *Auditor General Act 2006*.

Refer:

- Key legislation (page 14)
- Members of Parliament survey (page 37)
- Parliamentary liaison program (page 38)

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.

Refer:

- Workforce Development Plan (page 58)
- Our strategic themes (page 19)
- Organisational structure (page 15)

3. Organisational structure

Accountability for deliverables is the responsibility of the Executive Management Group which comprises leaders from the five business units. The relationship between these business units is clearly defined, yet flexibility exists to enable the Office to respond to structural changes.

Refer:

- Senior officers (pages 16 to 17)
- Organisational structure (page 15)

Governance principle

Where to find it in this report

4. Operations

Operational plans provide information relating to work programs and progress towards initiatives. These are reported to the Executive Management Group for review and to confirm we are achieving desired outcomes.

Refer:

- Quality Assurance Plan (page 30)
- Workforce Development Plan (page 58)

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 staff awareness and ongoing accountability and ethics training.

Refer:

- Our values (page 1)
- Quality Assurance Plan (page 30)

6. People

Workforce planning is a high priority and includes strategies for retention and attraction as well as development of staff with the intent to build leadership capabilities to ensure growth of individuals and skill development.

Refer:

- Our people (page 57)
- Workforce Development Plan (page 58)

Governance principle

Where to find it in this report

7. Finance

Our Office values accountability and efficiency and ensures financial processes are consistent with accounting standards. Formal structures exist to monitor actual versus budget and report monthly to the Executive Management Group.

Refer:

- Financial performance (page 24)
- Financial statements (page 70)

8. Communication

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

Refer:

- Member of Parliament survey (page 37)
- Communications activities (page 36)
- Reports tabled in 2013-14 (page 45)

9. Risk management

Our risk management framework outlines the policies and processes in regard to management of risk and business continuity. The status of identified risks is reported monthly to the Executive Management Group.

Refer:

- Risk management framework (page 31)
- Risk and Business Continuity (page 32)
- Conflict of Interest Register (page 65)

Our Business Performance

Financial performance

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 accommodation costs and an increase in salaries expense. The variance in total income other than income from state government was primarily due to additional fees charged to agencies for additional audit work and an increase in the number of Royalties for Regions certifications.

The decrease in cash held is due to higher employee benefits, supplies and services and accommodation payments. Note however that these payments were largely offset by higher user charges and fees receipts.

Further explanations are contained in note 27 'Explanatory Statement' to the financial statements on page 103 of this report.

Our staff level was higher than our target for this year as we anticipated a higher attrition rate than was realised. Further information regarding our employee numbers and information is included in the Our People section commencing on page 57.

Financial statements

For more details on our financial performance please refer to the relevant pages in our financial statements section of this report (pages 70 to 109).

	2009-10 Actual \$000	2010-11 Actual \$000	2011-12 Actual \$000*	2012-13 Actual \$000	2013-14 Actual \$000	2013-14 Target \$000	Variation \$000
Total cost of services (sourced from Statement of Comprehensive Income)	19 094	20 223	21 875	22 499	23 379	22 817	562
Total income other than income from State Government (sourced from Statement of Comprehensive Income)	14 621	15 296	16 067	15 489	16 813	16 155	658
Net cost of services (sourced from Statement of Comprehensive Income)	4 473	4 927	5 808	7 010	6 566	6 662	(96)
Total equity (sourced from Statement of Financial Position)	6 682	7 165	7 454	8 439	9 494	9 834	(340)
Net increase/(decrease) in cash and cash equivalents held (sourced from Statement of Cash Flows)	1 045	307	(438)	851	(99)	(170)	71
	Number	Number	Number	Number	Number	Number	Number
Approved full-time equivalent (FTE) staff level	108	119	121	124	127	124	3

* 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

Key performance indicators

Effectiveness

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. The current target of 75 reports over three years encompasses the financial years 2012-13 to 2014-15.

During 2013-14 we tabled one more report than our 2013-14 target. In 2012-13 we missed our target by one report. Therefore, according to our actual performance and our forward planning, we are still on track to meet our three year target.

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 3 shows our actual results for the preceding four years, and our performance against the 2013-14 target.

Report Type	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2013-14 Target	Target over 3 years
Service Delivery	3	2	4	4	5	5	13
Economic Development	2	1	1	2	4	3	8
Social and Environment	1	2	2	3	2	4	9
Governance	14	10	17	15	15	13	45
Year Total	20	15	24	24	26	25	75

Table 3

For further information and details about reports tabled this year refer to page 45.

Our topic selection process is outlined on page 43.

Efficiency

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

Table 4 shows the cost per million dollars of gross government expenditure for our efficiency indicators.

Efficiency Indicator	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2013-14 Target
Total audit cost per million dollars of gross government expenditure*	\$519	\$509	\$516	\$497	\$472	\$482
Attest (financial) audit cost per million dollars of gross government expenditure	\$389	\$382	\$387	\$373	\$355	\$337
Performance audit cost per million dollars of gross government expenditure	\$130	\$127	\$129	\$124	\$117	\$145

Table 4

* 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 pages 111 and 112.

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	2013-14 Actual	2013-14 Target
Matters of significance to Parliament	118	106	136	163	218	n/a
Broad scope and follow-up performance audit reports	5	3	7	8	9	9
Narrow scope performance audits	13	10	12	10	12	11
Across government benchmarking audits (introduced in 2011-12)	n/a	n/a	3	4	3	3
Annual assurance audits	2	2	2	2	2	2

Table 5

The indicators show a steady performance across these areas over the past five years and a consistent meeting of our predetermined targets.

We continue to see an increase in the number of Matters of Significance in the reports the Auditor General tables in Parliament. 'Key messages' are the issues a general parliamentary reader would take away from the report after the details of specific findings and recommendations have receded into the background.

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
Parliamentary surveys	Page 37
Client agency surveys	Page 38
Top 10 web downloads of our audit reports	Page 45
Other feedback channels	Page 40
Independent peer reviews	Page 30

Table 6

Also refer to pages 120 to 123 for a summary of our progress against our strategic plan.

Financial auditing

Introduction

Financial auditing provides independent assurance to Parliament that the agencies' financial statements are based on proper accounts, and present fairly the operating results and cash flows for the period under review and the financial position at the end of the financial reporting period in accordance with Treasurer's Instructions, Australian Accounting Standards and other mandatory professional reporting requirements.

The audit of most agencies also includes assurance that the controls exercised by the agency are sufficient 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.

Audit opinions

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.

These agencies are required under the Act to have their annual reports tabled within 90 days of financial year end.

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

Timeliness

What we set out to do	What we achieved				
	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %
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	99.3 [^]

Table 7

[^] 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.

Audit opinions issued	2009-10	2010-11	2011-12	2012-13	2013-14
Annual Report on State Finances	1	1	1	1	1
Parliamentary departments	3	3	3	3	3
Government departments	36	40	40	40	40
Statutory authorities (SA)	100	95	98	92	86
Universities and state training providers (SA)	14	14	14	15	15
Superannuation funds (SA)	3	3	3	3	3
Corporatised entities	15	15	15	15	15
Cemetery boards	8	6	5	5	13
Subsidiary entities	18	16	15	14	12
Request audits	9	8	5	2	4
Total	207	201	199	190	192

Table 8

A complete list of agencies subject to audit is on pages 124 to 125.

Audit certifications

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. In 2013-14, 186 certifications were for Royalties for Regions projects.

Across government benchmarking audits

In addition to the annual financial audits, our financial auditors also conduct across government benchmarking audits (AGBAs). These audits focus on common business practices across the sector and provide an indication to Parliament and agencies of how different agencies are performing relative to each other. This year our AGBAs included:

- controls over purchasing cards
- debtor management
- timely payment of invoices.

Audits on controls over purchasing cards and timely payments of invoices were previously conducted in 2007 and 2009.

All agencies are encouraged to review the results and recommendations of the AGBAs and take action to ensure that they comply with accepted good practice.

Output

Output – financial audits	2009-10	2010-11	2011-12	2012-13	2013-14
Audit reports tabled in Parliament	2	2	2	2	2
Audit opinions issued to Minister and agencies	207	201	199	190	192
Audit certifications issued	29	37	29	35	37
Royalties for Regions certifications issued	0	45	71	130	186
Across government benchmarking audits tabled in Parliament	0	0	3	4	3

Table 9

Performance auditing

Performance audits assess the efficiency and effectiveness of agency activities, services and programs. As well as identifying any instances of waste or inefficiency, performance audits highlight good practice and make practical recommendations for improvement. We conduct performance audits under section 18 of the *Auditor General Act 2006*.

We conduct two types of performance audits, broad scope and narrow scope. As the name suggests, our broad scope performance audits focus on the effectiveness and efficiency of larger programs, projects and services. Our narrow scope performance audits have a tighter focus and may assess internal agency controls, compliance with legislation, policy and good practice, and information systems. We also conduct follow-up audits to assess the actions taken by agencies in response to our recommendations and the changes and improvements that result.

All of our performance audits are conducted in accordance with our Performance and Compliance Audit Methodology, using a phased approach and regular executive review and approval.

By following the methodology, we have assurance that individual audits are soundly based, and that the Auditor General's objectivity, independence and credibility are maintained. A set of core professional values underpin our methodology, including being objective, fair and balanced, professionally sceptical, evidence based and criteria driven, consultative, open and clear.

We conduct post project reviews of all our performance audits, and survey agencies for their views on the process after we have completed the audit. Our Performance Audit Methodology User Group meets regularly to ensure continuous improvement opportunities are identified and implemented.

Our audited key effectiveness indicator on page 111 provides an indication of our performance in relation to our reports tabled in Parliament. In addition, from page 45 of this report you will find summary information on all reports tabled in 2013-14.

Working together towards excellence in audit

The Australasian Council of Auditors-General (ACAG) is an association established by Auditors General in 1993 and provides consultative arrangements for the structured sharing of pertinent information and intelligence between Auditors General in a time of increasing complexity and rapid change.

ACAG supports the development of effective and efficient auditing methods and practices by members, and represents externally, where appropriate, the collective opinion of the Auditors General on financial accounting and auditing standards and related issues.

Our involvement with ACAG continues to be beneficial and extremely important in developing and sharing knowledge, information, experience and better practice examples in auditing.

There are a number of ACAG sub committees we participate in throughout the year which provide mutual benefits and learning opportunities between audit offices including:

- 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.
- Performance Audit Executives 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.
- Audit Quality Assurance Panel: The ACAG Quality Assurance Coordinating Committee has been established to develop and maintain ACAG's capacity to undertake quality assurance reviews when requested by Auditors General using the ACAG Governance and Audit Framework for Self-Assessment and External Review.

Auditing and Assurance Standards Board

The Auditor General is a member of the Auditing and Assurance Standards Board (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 Technical and Audit Quality, Michelle Shafizadeh, is a member of a Project Advisory Group for Assurance Engagement on Controls, which is a subgroup of the AUASB.

We also regularly liaise with ACAG audit offices on providing a collegiate response to exposure drafts issued by the Australian Accounting Standards Board and AUASB and their international equivalents.

Quality and continuous improvement

Quality framework and Quality Assurance Plan

Quality is fundamentally important to everything we do. The Office has a framework that establishes and maintains quality over the work we perform. This framework is instilled throughout our workforce, sending a strong message that audit quality is more than meeting professional standards.

Our framework includes a Quality Assurance Plan which is approved by the Executive Management Group on an annual basis. Our Technical and Audit Quality business unit is responsible for the facilitation of the Plan and for regular reporting of its progress to the Executive Management Group.

This plan is linked to the strategic plan and outlines the role and importance of audit quality and quality assurance. It includes details of the work to be performed, high level objectives and responsibilities for facilitating and reporting the outcomes. The Quality Assurance Plan details the time and cost budget for the work to be performed as well as possible scope areas for future years.

This year we further enhanced our Quality Assurance Plan to ensure we focused our resources and efforts on the areas that would have the most significant impact. We also mapped out to future years the proposed external independent reviews so that we have a clear line of sight and are well prepared for these.

Role of the Quality Assurance Plan

The Quality Assurance Plan plays a vital role for our Office in terms of:

- internal control
- risk management
- corporate governance
- compliance monitoring.

Examples of quality assurance activities that are included in our Quality Assurance Plan for this calendar year include:

- **Inspection of engagement files** – to ensure a quality audit is performed and continuous improvement opportunities and good practice is identified and shared with the Office.
- **Review of audit methodologies** – to ensure that they continue to comply with the auditing standards.
- **Review of audit files of contract audit firms** – to ensure the quality of contract audit firms who perform audit work on our behalf.
- **Review of published information of contract audit firms** – to ensure that the results of public information including quality assurance reviews performed by regulatory bodies and membership organisations are known by our office.
- **Writing to contract audit firms** – to seek information about the firms on aspects of their business that may be topical or may represent a particular risk for the current year.
- **Engagement Quality Control Reviews (EQCR)** – to evaluate and report on the implementation of the EQCR process in the Office.
- **Independence** – to evaluate and report on the implementation of the Conflict of Interest Policy.
- **External Peer Review Program** – to get an independent opinion as to the quality of our audits that we perform. This may be from another audit office in Australia or from an independent reviewer.

Training is a critical part of the Quality Assurance Plan. Specific sessions have been delivered on ‘what is audit quality?’, ‘the importance of audit quality’ and ‘the role and responsibility for audit quality.’

Focus on continuous improvement

Through our continuous improvement policy we aim to adopt continuous improvement as a regular part of what we do and how we conduct ourselves, rather than as an afterthought or an additional activity. In this way, continuous improvement is embedded within our culture and within our business processes through the cycle of planning, execution and review.

Activities which contribute to our continuous improvement process include:

- Post project reviews – these are conducted following the tabling of each audit report and include the examination of lessons learnt throughout the project and suggested improvements.
- Audit methodology user groups – our audit methodologies are key to what we do, how we do it and why. The user groups meet regularly to ensure that the methodologies are compliant with auditing standards and to identify any best practice or continuous improvement opportunities that could be implemented.

This year we identified a need for improvement within the management of our corporate projects. As a result project documentation has been significantly enhanced to capture all required stages of the project, including project evaluation and review at the conclusion of each project.

Risk management

The Office considers risk management to be a fundamental principle of the work we do for ourselves and others. The Office has a comprehensive risk management practice framework, which forms an integral part of our strategic planning processes.

The framework outlines the policies and processes relating to the management of risk and preventative measures.

Cloud computing

Two significant risk matters we are currently discussing are the possible use of cloud based services and the possible off-shoring of audit work by our contract audit firms. We are reviewing our position on these areas and any impact that this may have on our policies and procedures and audit approach.

Fraud and corruption control

In 2013-14 the Office implemented a new Fraud and Corruption Control Plan which includes a requirement to have a Fraud and Corruption Incident Register. This was a result of the research that was performed during our performance audit in the area of best practice in fraud and corruption control.

Receipt of gifts, benefits and hospitality

We have a Receipt of Gifts, Benefits and Hospitality Policy and a Gift Decision Register is maintained as required by the policy.

The Audit and Risk Management Committee review the Gift Decision Register and internal policies on a regular basis and identify any matters which need to be brought to the attention of the Executive Management Group.

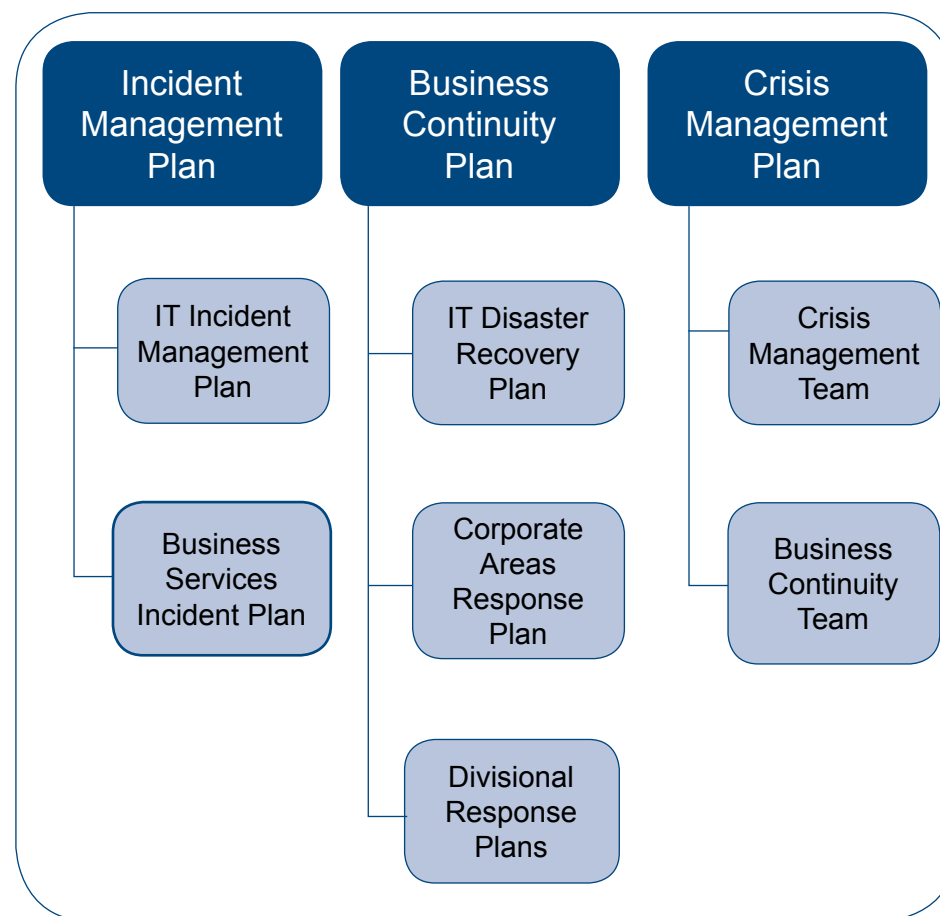
Business Continuity Management Program

Our Business Continuity Management Program (BCMP) 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.

This year training was provided to members of the Business Continuity and Crisis Management teams. The training included scenario testing and discussion of alternative actions which could be taken should that scenario ever arise.

It was interesting to see the variety of flow on effects that one simple crisis situation may cause and these aspects were central to the discussion as part of the training exercise. The training resulted in the identification of some of the gaps within our plan that we have subsequently been able to address.

Risk management and business continuity is included in the induction process of new employees and reinforced to all employees through our Office forums and Professional Development Program.



Information technology and management

Information technology

Following the development of the Information Technology Strategic Plan last year, 2013-14 saw significant effort being applied across the Office towards implementing projects that addressed our key strategic initiatives of:

- improved governance
- improved information management
- improved service management
- improved innovation and technology.

Improved governance focused on enhancements to the operation of the ICT Committee and the review of frameworks, standards and policies.

Providing a high standard of service continues to be a priority and this year an internal business review was undertaken. This review identified efficiencies for improved levels of service which we have been able to address. We also extended our service desk beyond just information technology requests to now include requests for services relating to a range of areas, including general building and facilities issues.

The development of our Business Intelligence tool has improved information management by providing accessibility to live information required for key decision-making.

Major milestone

Business Intelligence tool

This year we developed and launched an online Business Intelligence dashboard. This project required the integration of key corporate information systems. As a result, we are now able to provide live and current data using our existing intranet platform to assist audit managers and executives with key decision-making. The dashboard focuses on two key areas of our business:

- The **Performance Audit Business Intelligence** dashboard provides a visual representation of actual and budgeted performance audit data. This includes time budgets and financial budgets for each individual audit currently being undertaken. Historical data is also available to provide comparative information. The tool assists audit managers to monitor and track project performance using up to date information, enhancing decision-making and reporting.
- The **Finance Business Intelligence** dashboard displays current data from our finance system comparing budget to actual performance both at business unit level as well as by category of expenditure. Information is provided in both a graphical and tabular format and the view can be customised to meet individual business needs. This dashboard also provides comparatives with prior years. Having this key information readily accessible assists when making key financial decisions or analysing expenditure trends for our Office.

This year an external provider was engaged to perform an infrastructure and application vulnerability assessment. This was undertaken to identify the presence of security vulnerabilities or misconfigurations in our services exposed to the internet. The assessment identified seven risk areas which have now been addressed.

A significant collaboration project this year was for our Office to take responsibility for the hosting of the Australasian Council of Auditors-General (ACAG) website. This website is a shared facility accessible by all audit offices in Australia.

Information and Communication Technology Committee

We have an active Information and Communication Technology (ICT) Committee which meets regularly to discuss ICT projects, activities, opportunities and risks across the Office.

The focus areas of this committee include:

- the long term plans and directions of all corporate systems
- progress on all strategic ICT related projects
- capital work funding submissions and reporting.

This committee regularly reports to the Executive Management Group, and is made up of representatives from all business units of the Office to ensure a strategic approach to ICT and broad consideration of operational and business needs.

Information management

In 2013-14 major information management initiatives within the Office included an increased focus on user access to business information and the training and education of employees in terms of information management tools and responsibilities.

An exciting development this year has been the introduction of online interactive videos published on the intranet. These videos have proved to be a useful training tool that is readily available and easily accessible for all employees.

Our ICT strategic plan includes a range of initiatives and projects for 2014-15 which will allow further integration of information systems and deliver benefits to the business.

Innovation team

The role of the Office innovation team is to facilitate and support innovation across the business. The team has accepted the huge challenge of finding ways to entrench a culture of innovation at the Office, and continues to tackle this across the business.

Through the use of our Innovation Wiki on the intranet all employees have the opportunity to contribute ideas or comment and build on the ideas of others. A streamlined navigation process for accessing the Innovation Wiki was recently developed, with links from the intranet homepage to vote on favourite ideas.

One of the new initiatives for this year was the agreement to share key learnings with staff through attending innovation seminars and inviting guest speakers into the Office. At a recent professional development day, Associate Professor Sharon Delmege from Murdoch University, who researches and teaches creativity and innovation, presented a session 'Creativity, Innovation and Me.' This session clarified the processes of creativity and innovation and outlined how to cultivate a more creative disposition, which has been a challenge to innovation at the Office.

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

***We strive to add value to Parliament
and client agencies.***



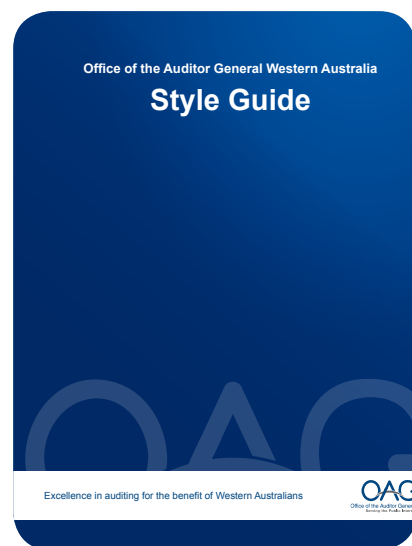
Parliament is our primary client.

Our Clients

Our Clients

Communications

Our Communications branch works with all areas of the Office on a range of activities covering all aspects of external and internal communications. This team is focused on ensuring the reports to Parliament are clearly and professionally presented, and also uses social media to provide clear and meaningful information about our work to both internal and external stakeholders.



To meet the Office's focus on adding value to Parliament and client agencies, a major project for the Communications branch this year was the creation of a suite of document templates that have a modern, clean, professional and consistent design. This year a complete update to the Office's 'Branding Style' Guide was undertaken.

Many of our documents had not been updated since the last rebranding project in 2008, and the result was a variety of communications materials which were inconsistent in their look and feel. The updated 'Branding Style' Guide now includes guidelines and a comprehensive set of templates

for employees' use that present our stakeholders with an instantly recognisable corporate brand for all visual communications.

Building on this work, the next project will be to ensure the Office 'Writing Style' Guide is in line with this new 2014 'Branding Style' Guide. Potential future considerations include a review of the Office of the Auditor General logo and our copyright and tagline.

Another project undertaken this year by our Communications branch was a benchmarking activity to compare our reports to Parliament with those produced by other audit offices around Australia, as well as public sector agencies and private sector companies. We benchmarked key elements across 30 selected reports worldwide to determine their similarities, including the use of colour, content page layout, cover designs and heading hierarchy styles.

The new report template we then created assists with a clear, coordinated and professional image for our reports to Parliament, and incorporates best practice from Australia and worldwide.

The Communications team is responsible for internal communications, and this year we commenced a project to upgrade our staff intranet to the SharePoint 2013 platform.

The objective of this project is to create a collaboration platform for employees in areas such as tabling reports or initiating, progressing and completing an audit. The approach to the intranet project is in line with the businesses' key result areas, as it works with our existing systems and capitalises on the financial investment we have already made.

The new intranet platform will provide greater search capabilities, including consistent imaging and improved content management. It will also address governance issues, providing clear ownership and content responsibility. In the past this has not been clearly defined and has resulted in a lack of currency and usefulness of the content across the business. The benefits to the Office will also include improved navigation and greater use at business unit level.

To date the focus of the intranet project has been on conducting employee engagement sessions where we determine how employees want to access information on the intranet and how we can best assist them to conduct their work. Testing of the intranet site began in late June 2014, and the planned go-live date for phase one of the project is 30 July 2014.

Lastly, the Office is also reviewing the Plain English tender so that we can work with the winning vendor to establish a new and accepted Office 'Writing Style' Guide that underpins all of our reports to Parliament, as well as the various written communications we use to communicate with the community, our employees, the media and Parliament.

Members of Parliament survey

Every year we conduct a survey of Members of Parliament to provide us with an indication of our performance in meeting our outcome of *an informed parliament on public sector accountability and performance*.

The results of this survey are not part of our suite of key performance indicators but are very important to us in understanding how we are performing.

The survey is administered by an independent research company and provides the opportunity for Members of Parliament to express their views in areas such as their satisfaction with our services and the effectiveness and usefulness of our products.

Respondents are offered the option of completing the survey via an online portal, through submission of a hardcopy or a confidential telephone interview. Our response rate to the survey was only 33 per cent which is slightly higher than last year (31 per cent).

Although this response rate is similar to those of other audit offices across Australia who conduct similar surveys, we will be working with the research company this year to identify ways to improve the survey process for respondents in an effort to increase the response rate.

The response received for overall satisfaction with the Auditor General's reports and services was encouraging at 90 per cent and showed an improvement from 2012-13.

Although strong positive results were received in relation to the percentage of the respondents who agreed that we were effective in meeting our outcome or that our products and services were useful, the result was lower than prior years. This area of the survey includes a commentary section where suggestions can be made on ways we can better meet needs and expectations.

We find this aspect of the survey particularly useful for improving our services and products.

Table 10 shows the results received against four critical areas.

Indicator	% Agree or Strongly Agree				
	2009-10	2010-11	2011-12	2012-13	2013-14
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	78
Reports dealt with matters of significance to Parliament	90	89	91	97	96
Services and reports of the Office of the Auditor General are useful to Parliament	95	93	92	93	89
	% Satisfied or Very Satisfied				
Overall satisfaction with Auditor General reports and services	95	91	90	83	90

Table 10

Parliamentary liaison program

Our parliamentary liaison program ensures relevant and timely information is made available to Parliament in keeping with our obligations under the *Auditor General Act 2006*. This benefits both Parliament and our Office and supports our mission to improve public sector performance and accountability by reporting to Parliament. The liaison program supports our key result area 'Our Clients', by promoting quality relationships with Parliament and parliamentary committees.

This program includes:

- comprehensive briefings about our Office to all new members of Parliament and parliamentary committees
- regular meetings and briefings with parliamentary committees throughout the year
- liaison with parliamentarians in relation to the tabling of our reports
- briefing the two parliamentary committees with a designated focus on our operations and on our proposed forward audit program
- providing information to support inquiries by parliamentary committees.

A calendar of planned regular contacts, including meetings, hearings, briefings and presentations is maintained and presented to Executive Management Group each month to ensure all opportunities for active and effective liaison are identified. Our annual parliamentary survey, together with direct feedback throughout the year, is used to identify any potential initiatives or improvements that could further enhance our parliamentary liaison program.

Client agency surveys

Together with other Australasian Auditors-General, the Office uses an independent research company to conduct surveys throughout the year of both our financial and performance audit clients. The results of these surveys play an important part in our ongoing quality assurance efforts. We take into consideration all feedback and continue to seek opportunities to improve our standard of service delivery.

All clients who received an audit opinion are given the opportunity to participate in the financial audit client survey. The performance audit client surveys are conducted progressively throughout the year and shortly after each separate performance report is tabled in Parliament.

Financial audit client surveys

The results in 2014 were very positive with almost all aspects recording improvements relative to 2013. In 2013 three areas were identified where the ratings indicated that improvements were required. These areas were communication skills, responsiveness of auditors and timeliness of our audit program. We considered how to improve our performance within these areas and were encouraged to see a positive shift in the 2014 results rate for each of these areas.

Consistent with the results from 2013, almost all clients (96 per cent) agreed that auditors conducted themselves professionally and possessed the required skills and knowledge to undertake the audit.

However, there was a negative shift in the response rate relating to our ability to understand organisations' information technology systems or communicate effectively when undertaking information systems audits. These areas will be a focus of our professional development program.

The survey results showed that the majority (85 per cent) of respondents rated the overall value of the audits as excellent or good and improved ratings were received relating to the involvement of senior auditors and the understanding of their organisation by our auditing staff.

The following table shows the results of four key drivers used to assess overall audit process and value.

Indicator	% Agree				
	2009-10	2010-11	2011-12	2012-13	2013-14
We value the assurance we obtain from the audit of our statutory financial statements	87	88	90	91	99
We value the Office's recommendations to improve the financial management and internal controls of our organisation	79	81	86	88	95
The Office's audit program was undertaken in a timely manner	85	83	91	80	88
Audit staff were responsive to our needs	88	93	94	87	91

Table 11

All audit offices across Australia, including Commonwealth, State and Territory, use this financial audit client survey. It is pleasing to note that Western Australia achieved the highest overall rating across all Australian audit offices for the third consecutive year.

Performance audit client survey

The performance audit client surveys focus on our audit process, reporting and value.

Eighty-three per cent of those surveyed rated our audit process favourably overall compared to 74 per cent in 2012-13. The main improvements were in the ratings of the professionalism of our auditors, their communication with the agencies, and their understanding of organisations and operating environments.

We also obtained an increase in the overall rating given to audit reporting with 81 per cent of respondents giving a favourable rating compared to 68 per cent last year.

Higher ratings were given against the questions of having adequate opportunity to comment on the findings, and to our findings being presented clearly. Importantly, 81 per cent of respondents agreed that our audit report was balanced and fair, an increase from 77 per cent last year and 60 per cent in 2011-12.

However, the response relating to audit value was lower than in previous years. Sixty per cent of respondents agreed that the audit would help improve their performance compared with 72 per cent in 2012-13.

The nature of audit work includes close scrutiny and possible criticism of agency performance, and we understand that this can influence the responses to the survey. Nevertheless, the surveys provide a valuable way for us to identify areas for improvement.

Aggregate performance index scores

The survey process includes the calculation of aggregate performance indices across the following four areas:

- quality of audit process
- quality of audit reporting
- value of the audit services
- overall performance.

The aggregate index for an area is the average of the individual question indices for survey questions across that specific area. The index for a question is the average response for each question across all respondents. The table below shows the aggregate performance indices for both financial and performance auditing work for 2013-14.

	Process	Reporting	Value	Overall
Financial auditing	77	80	79	79
Performance auditing	78	78	66	74

Table 12

Other feedback channels

The Office of the Auditor General receives information that assist us to perform our functions from many different sources. We treat all information we receive with confidentiality, subject to legal and parliamentary processes. All feedback, suggestions and concerns are managed in a way that demonstrates the Office values of Integrity, Quality and People.

Our website includes information and advice on how to contact us and provides the opportunity to submit feedback electronically or through alternative contact channels.

It is important to note that information received through these avenues can be examined under the *Auditor General Act 2006*, and can be considered as part of our topic selection process (see page 43).

The following provides information regarding matters brought to our attention and how each category is managed.

Public Interest Disclosures

Our Office is one of a number of accountability agencies to which people can make public interest disclosures (PID) under the *Public Interest Disclosures Act 2003*.

The Office of the Auditor General is the appropriate authority to receive public interest disclosures that relate to substantial unauthorised or irregular use of, or substantial mismanagement of, public resources.

Key staff including some executive members of the Office are appointed by the Auditor General as PID officers, and are appropriately trained to receive and manage PIDs effectively.

In 2013-14 we received no complaints that met the criteria of a PID.

Complaints

A complaint about the Office of the Auditor General is defined as any expression of dissatisfaction or concern made about the Office, its staff, external contractors, services, products or practices.

Our process for managing complaints is designed to ensure the complainant is satisfied that we will take appropriate action to rectify the matter.

The Office adheres to the guiding principles recommended by the Ombudsman to effectively manage each complaint and our process follows three steps:

1. Enabling Complaints – arrangements for enabling people to make complaints are customer focused, visible, accessible and supported by management. Complaints can be made on the Office of the Auditor General website electronically, or by email, mail or telephoning the Office.
2. Responding to complaints – our procedures detail the process for responding to complaints to ensure they are handled objectively, fairly and confidentially. Timeframes are included for each step of the process.
3. Accountability and Learning – the reporting mechanisms for managing complaints help us work towards continuous improvement. A process is in place to ensure the Executive Management Group receives a report on complaints received and identified risks are reported to the Audit and Risk Management Committee. To ensure confidentiality access to records on complaints is highly restricted.

Employees are informed of their responsibilities in this area and our policy and process is available on our intranet.

No complaints were received in 2013-14.

Referrals

Each year we receive requests, referrals, and enquiries from various parties to conduct audits or suggesting areas for investigations. These requests from Members of Parliament, parliamentary committees, the public and agency staff primarily concern actions of public sector entities in managing public resources or the implementation of policies, processes and programs.

In our handling of all referrals and enquiries we value the principles of:

- respect
- fairness
- transparency
- timeliness
- accountability.

The referrals can be an early warning of issues relating to the performance, probity and compliance of the sector and our focus is on systemic weaknesses rather than a one-off issue affecting an individual.

Some referrals relate to issues and matters outside of our mandate in which case we assist individuals as to where their enquiry would be best directed.

All referrals and enquiries are recorded and reviewed to identify any wider issues across government.

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 and each referral is assessed against an internal protocol and conducted in an objective and ethical manner to ensure a consistent response.

Where matters may cross jurisdictional boundaries, such as the work of the Corruption and Crime Commission or the Public Sector Commission, we have effective processes in place to communicate with other integrity agencies in an effort to highlight potential issues, whilst maintaining confidentiality.

Table 13 shows the number of referrals and enquiries received in the 2013-14 financial year, with referrals from members of the public significantly less than prior years.

In 2013-14, the average number of days taken to respond was 5.9 working days, with 84 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 enquiries.

Referrals and/or enquiries received	2011-12	2012-13	2013-14
Members of the public	72	61	45
Member of Parliament or parliamentary committees	18	15	16
WA State Government agencies	9	14	15
Total	99	90	76

Table 13

This year no trends or repeated concerns were noted, however the clear majority of referrals related to governance matters and compliance within public sector agencies. The remainder were evenly distributed across areas of service delivery, economic development and social and environment matters.

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.

Plants like this skeleton weed may have an adverse impact on the environment as our team discovered during their audit on Managing the Impact of Plant and Animal Pests: A State-wide Challenge.

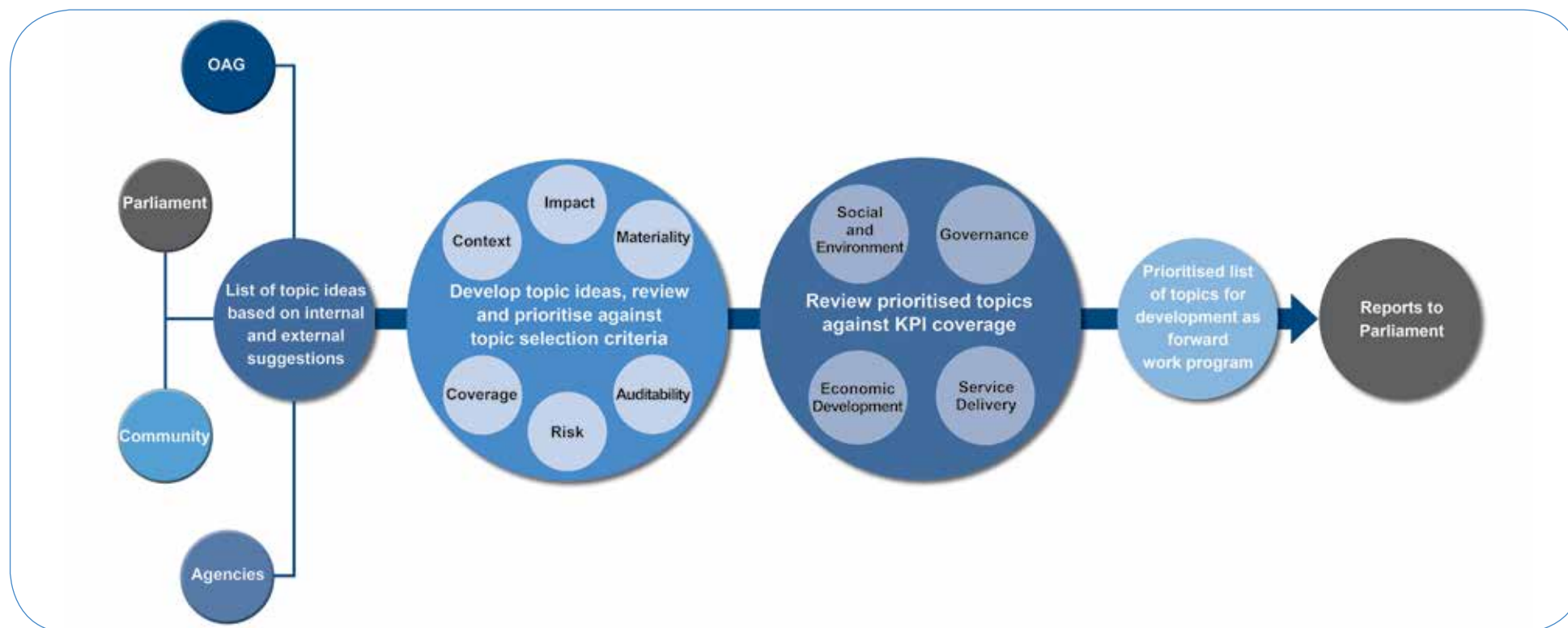
Our Products and Services

Topic selection

The independent reports that the Auditor General provides to Parliament inform Members and the public about the effectiveness and efficiency of public sector agencies and services. The reports often generate significant interest in Parliament and beyond. Positive reports can increase parliamentary and community confidence whereas adverse findings can alert Parliament and the public to matters of concern. Given the impact of the reports to Parliament, it is extremely important that we select the right topics for audit.

Deciding what to audit is a key part of the Auditor General's independence and is not subject to direction from Parliament or government. This independence has to be exercised responsibly, so we have processes in place which make sure that the selection of topics is objective, robust and transparent.

The figure below shows our topic selection framework.



Each year we also receive many enquiries, expressions of concern and requests for audits and investigations from Members of Parliament and the community. The information we receive often helps us to identify topics for future audits. Our topic selection process allows us to balance these demands and to choose audits based on full consideration of their relative merits.

Twice a year, all the potential topics for audit are collated and priority projects are identified to establish our forward program. We seek to select a program that is balanced in its coverage, contains topics that matter to Parliament and the community, and that reflects how and where the state is spending taxpayer's money. We use the following criteria:

- **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?

Once established, our forward work program is discussed with the Public Accounts Committee and the Estimates and Financial Operations Committee. Once an audit has begun, we make its objective, focus and timeframes public via the work in progress section of our website at www.audit.wa.gov.au/work-in-progress/.

Our reports tabled in 2013-14

During 2013-14 the Office tabled in Parliament 26 reports. On the following pages is a brief summary of each of the reports. These reports can be accessed from our website on www.audit.wa.gov.au/reports.

Website download statistics provide an indication of the degree of public interest in our reports. The table below shows our top 10 accessed reports for the year at 30 June 2014.

Reports	Downloads
Audit Results Report – Annual 2012-13 Assurance Audits	5 849
Annual Report 2012-13	5 746
Behaviour Management in Schools	4 179
Managing the Impact of Plant and Animal Pests: A State-wide Challenge	4 108
Western Power's Management of its Wood Pole Assets	4 051
The Banksia Hill Detention Centre Redevelopment Project	3 753
Water Corporation: Management of Water Pipes	3 074
The Implementation and Initial Outcomes of the Suicide Prevention Strategy	2 402
Public Trustee: Administration of the Financial Affairs of Vulnerable People	2 289
Sustainable Funding and Contracting with the Not-For-Profit Sector – Component 1	2 199

Table 14

Working with Children Checks



June 2014

All people whose day-to-day work involves contact with children are required to have a working with children check. This check of criminal and other records aims to prevent people who may pose a risk of harm to children from working with them. More than 300 000 people across WA have a working with children check card. Our audit assessed how well the Department for Child Protection and Family Support administered the check to help increase the safety of children.

Overall, there was a satisfactory framework in place to assess new applications and existing card holders were regularly monitored. However, the Department often took a long time to reach a decision in more complex cases when criminal record information indicated a risk to children. This increases the risk to children because a person can work with children while they are being assessed, which can take months.

The Department was also doing very little to check that employers were making sure that all of their people in child-related work had a working with children check card. In addition, the Department was not meeting its own obligations as an employer with over 100 of its 2 577 foster carers not having a valid card.

Information Systems Audit Report



The *Information Systems Audit Report*, which is tabled annually, contains the results of a range of IS audit work conducted during the year. This report contained four items. Some of the issues we identified are specific to individual agencies but most have broad relevance.

Identity Access Management (IAM) Project at the Department of Health

A small but important part of the commissioning of Fiona Stanley Hospital (FSH) has been the Identity Access Management (IAM) project which is one of a number of interrelated projects planned to deliver a near paperless environment at the hospital. In late 2013 the Acting Director General of Health informed us of the difficulties Health was experiencing with the IAM project and requested an audit. We assessed whether there was adequate scoping, governance and support given to the project.

We found that the project had stalled with little achieved from an investment of \$6 million. Project planning was deficient and governance and oversight including monitoring of progress was inadequate. The business mapping of staff roles to their required ICT access lagged behind the technical development of the solution. Critical technical dependencies and difficulties that threatened the feasibility of the project were therefore not identified in a timely manner. This issue was raised in successive project status reports but not elevated to the appropriate levels of management to be actioned.

Cloud Computing

Cloud computing is not a new technology but it is a new business model for delivering ICT resources. Benefits

exist but there are also risks relating to data security and sovereignty, system performance, unauthorised access, legal and regulatory compliance and loss of access to the system, service or information.

None of the five agencies we assessed could demonstrate effective management across all of the key areas relating to their implementation of a cloud based service with a consequent risk to the confidentiality, integrity and availability of information. Despite these overall failings, some agencies demonstrated elements of good practice across certain key areas in their management over cloud services.

Application Controls Audits

We assessed five important IT applications each at the Water Corporation and Western Power and two at the Disability Services Commission. We found some control weaknesses at each agency but overall the applications were operating adequately.

General Computer Controls and Capability Assessments

We assessed general computer controls at 54 agencies and identified 455 issues. The objective of our general computer controls audits is to determine whether the computer controls effectively support the confidentiality, integrity, and availability of information systems.

Overall, there was a slight improvement on the prior year with more agencies meeting our benchmarks for managing their IT environments. However, around 60 per cent of agencies are still not performing adequately in respect to information security.



June 2014

Royalties for Regions – are benefits being realised?



Royalties for Regions (RfR) is an ongoing Government initiative launched in December 2008. The focus of the audit was to determine if Royalties for Regions projects are delivering their intended benefits to regional Western Australia.

At the time of audit \$4.2 billion had been allocated to over 3 500 projects.



In this our third audit of RfR, we found that the success of RfR will be determined by whether it provides long lasting impacts to regional communities, and not only on whether it delivered specific projects.

We found that substantial infrastructure and services are being provided to regional WA, and that the Department has been steadily improving since our last audits in this area.



However, there is still room for improvement. Government may determine what it spends its money on, but the funding decisions should be based on good information around what the projects intend to deliver and if this aligns with the long term objectives. Outcomes identification, alignment to the RfR objectives and addressing the long term sustainability of projects still requires work.

June 2014

Government Funded Advertising



Government spent around \$45 million in the two years to June 2013 on purchasing television, radio, print and online media places for their campaigns. This audit assessed whether government funded advertising campaigns are managed in a way that is accountable and transparent and if outcomes are evaluated.



Overall we found that agencies complied with the advertising policy, including not advertising during the caretaker period at least one month before the election. However, improvements could be made in:

- strengthening other arrangements (such as the Independent Communications Review Committee) to manage the risk of misuse of public funds
- the transparency of reporting on the cost of publicly funded advertising
- assessing the performance of government communications by Department of the Premier and Cabinet (DPC) to inform policy and processes.

We also recommended that DPC should update the Government Advertising and Communications policy.

June 2014

Licensing and Regulation of Psychiatric Hostels



At the end of 2013, 42 private psychiatric hostels were home to around 860 people with mental illnesses who could not live alone and unsupported. Hostel operators provided these vulnerable people with accommodation, domestic services, personal care and opportunities for learning and recovery and help connect them with their clinical care providers.



Government agencies protect residents through licensing and monitoring hostels and through advocacy services.

Three agencies responsible for the protection of residents were the Department of Health, the Mental Health Commission and the Council of Official Visitors.



We examined how well these agencies protected residents' rights and monitored the quality of the facilities and services provided by hostel operators.

The audit found that agencies performed well in protecting the rights of private psychiatric hostel residents, and generally were able to provide assurance that the hostels provided acceptable standards of accommodation and support to their residents.

June 2014

Universal Child Health Checks Follow-Up



In 2010, we reported that many children were missing out on important child health checks delivered by the Department of Health. Following our audit, government allocated \$58.5 million over four years to improve access to community child health services statewide.

Four years on, we conducted a follow-up audit into the Universal Child Health Check program. We found that Health had increased the total number of child health checks by eight per cent, but this increase has not been enough to keep pace with population growth.



Health's performance has fallen below target for most of the six checks we focused on, meaning more children are missing out. A key factor in Health not meeting targets was that much of the planned increase in service capacity is yet to occur.



We also found that improvements in administrative support for nurses and information systems have not yet translated into increased productivity.

There has also been little progress in introducing greater flexibility in how the service is delivered, so it is still difficult for some families to access the checks.

June 2014

Governance of Public Sector Boards



June 2014

Government has purposefully reduced the number of boards and committees in recent years to create a more effective and efficient governance structure; from 1 276 in 2010 to around 320 today.

To assist boards with their governance structures, the Public Sector Commission has issued guidance centred on 11 principles of good governance. We audited a sample of six public sector boards to establish if they were providing effective governance and operating in accordance with PSC's good practice principles. We also conducted a survey of public sector board members and their chief executive officers to obtain a broader understanding of public sector practices.

The six boards generally maintained policies, procedures, systems and practices that ensured effective oversight of their agency's activity and which were consistent with the 11 good practice principles. But, improvements are required in the key areas of management of conflicts of interest and their induction and performance assessment of board members. Our survey, which had 363 responses from board members of 135 boards leads us to believe that these results broadly apply across the public sector.

Moving On: The Transition of Year 7 to Secondary School



May 2014

We assessed whether the Department of Education (DoE) was on track to transition approximately 18 000 Year 7 students to public secondary schools and if it would have the facilities and teachers in place to deliver full Year 7 National Curriculum from 2015.

We found that DoE had taken appropriate steps to plan and prepare for the transition, and that the program had progressed in line with plans and was forecast to be under budget.

At a system level there will be sufficient secondary teachers to fill additional positions in 2015. However, the risks of individual schools not being able to recruit sufficient staff in the right learning areas were not well understood because school level workforce planning had not been completed.

The infrastructure, accommodation and bus services to support Year 7 in secondary school were forecast to be ready in time. However we found that, due to delays in tendering, occupancy dates for buildings at 11 schools had been pushed back to January 2015, very close to the start of the school year. These schools are forecast to have around 3 000 Year 7 students so the projects require close monitoring.

The Implementation and Initial Outcomes of the Suicide Prevention Strategy



Suicide is the leading cause of death for both men and women between 15 and 44. The suicide rate in WA is 36 per cent above the national rate, and in some communities it is up to 20 times the State average. Our audit assessed the implementation and initial outcomes of the WA Suicide Prevention Strategy 2009-2013.



We found that the Strategy succeeded in engaging communities in suicide prevention activities that they felt would work for them. This delivered benefits for individuals and communities.

But we found that the benefits could have been greater. A poor procurement process resulted in delays to prevention activities. The initial planning was inadequate, and governance arrangements were unclear. Despite improvements in 2012 and 2013, some parts of the Strategy were not completed.

We found some of the initiatives under the Strategy are likely to last, but the long term impact of the Strategy is uncertain because many communities do not have the capacity to sustain activities without support.

The report includes a case study describing the challenges faced by Aboriginal communities in the Kimberley dealing with high suicide rates.

May 2014

Audit Results Report – Annual 2013 Assurance Audits



This report summarised the results of the audits of the four universities and 11 state training providers for the year-ended 31 December 2013. Clear audit opinions were issued for their financial statements, controls and key performance indicators.

The results of the annual audits of 18 smaller entities were also reported along with 12 certifications. One qualified opinion was issued on a continuing matter nearing resolution at the Legal Contribution Trust.

There was a decline in the number of control issues reported to management and also in the number of unresolved issues from the prior year.

Financial performance and graduate survey information for the universities and state training providers was included in the report to provide Parliament with useful information for its monitoring of performance of the tertiary education sector.



May 2014

Across Government Benchmarking Audits



Our across government benchmarking audits build on the annual assurance audits and aim to assess how well a sample of agencies perform relative to each other on common business practices. Mixed results were reported for these audits.

Controls Over Purchasing Cards

Overall, no significant improvement in the management of purchasing cards was evident since our similar audit in 2009. Four out of 10 agencies were rated as 'good', but the other six agencies need to improve their policies and/or practices. We found no instances of cards being used inappropriately. We also specifically sampled the expenditure of the CEO at each of the 10 agencies.

Debtor Management

The audit focused on how well debtor balances were monitored and followed up and the suitability of the process for writing off amounts that are deemed irrecoverable. We found that agencies were generally managing their debtors well.

Timely Payment of Invoices

Ten per cent of the invoices reviewed were paid later than the required 30 days. Although this was an improvement on the 2007 audit when 14 per cent were paid late, agencies need to improve the procedures and controls that ensure timely payments to suppliers.



April 2014

Behaviour Management in Schools



Effective management of student behaviour is key to a productive and safe student environment. We assessed the Department of Education's (DoE) strategies for behaviour management, its implementation of those strategies and how it allocates resources to support schools.

We found that DoE lacks information about how its behaviour management approach is being implemented in schools or if it is achieving the intended outcomes. We therefore could not conclude if behaviour is improving across the public school system.

Training of teachers in behaviour management strategies was well regarded by schools but needed to be better targeted. Similarly, behaviour management funding was not effectively matched to school and student needs. Access to some support for students with exceptionally challenging behaviour was limited by capacity and location. Thirty-nine per cent of nearly 1 900 school staff who responded to our survey said that they spent at least 20 per cent of their day managing behavioural issues.

Schools that could show improved behaviour had similar approaches, such as using flexible resourcing to meet school needs, having robust attendance strategies, making good use of behaviour data and focusing on academic outcomes.



March 2014

Opinion on ministerial decision not to provide information to Parliament about funding for some tourism events



This report dealt with decisions by Minister Harvey in her role as Minister for Tourism not to provide information to Parliament regarding funding provided by Tourism Western Australia to support a number of events. The Minister notified the Auditor General of her decision not to provide requested information as required by s82 of the *Financial Management Act 2006*.



The subsequent audit found that decisions by the Minister for Tourism not to provide information to Parliament were reasonable and appropriate.



March 2014

Charging Card Administration Fees



Government Trading Enterprises (GTEs) and other public sector entities incur merchant service fees whenever they accept credit card payments from customers. Government entities are permitted to recover their costs from customers. We assessed whether three GTEs and three public sector agencies were charging card administration fees (CAFs), and if so whether they complied with relevant legislation and guidelines. We conducted a limited audit on a fourth agency.



All three GTEs charged customers for their use of credit cards. However the legislative authority to apply CAFs is uncertain. Our legal advice was that it is an area of considerable complexity and divergent views, and needs to be resolved. Nevertheless, the three GTEs were applying the fees transparently, they were levying them accurately, and not exceeding the amounts defined by the Reserve Bank of Australia as reasonable.



None of the three public sector agencies subject to our full audit had elected to recover the cost of allowing customers to pay by card through a CAF. A fourth agency had subcontracted out a ticketing function to an agent which was charging CAFs. These fees were significantly more than charged by the GTEs we examined. The agency authorised the agent to charge the fees but did so without evidence that the fee was only cost recovery.

March 2014

Water Corporation: Management of Water Pipes



Effectively managing the 34 000 kilometres of pipes and equipment across WA that transport over 350 billion litres of drinking water from source to consumer is a key part of using water in a sustainable way and keeping costs down. We looked at whether Water Corporation's management of bursts, leaks and water loss contributed to sustainable water supply.



Overall, the network has performed relatively well in terms of the incidence of leaks and bursts, and has not required major replacement expenditure to maintain it.

However, the network is ageing and investment levels will need to increase significantly. Water Corporation is implementing a risk based approach to targeting its spending on pipe replacement. This should help it avoid under or over investment, if it addresses gaps we found in its information and pipe replacement planning.



We found that water loss from pipes was around 10 billion litres above the Water Corporation's benchmark for minimum loss, including seven to eight billion litres of undetected leakage. While this should not diminish the community's commitment to reducing its water usage, it reinforces the need for Water Corporation to continue and strengthen its efforts to reduce water loss.

February 2014

Managing the Impact of Plant and Animal Pests: A State-wide Challenge



Over 150 plants and animals are declared as pests in WA. Pests are a significant threat to agriculture, ecosystems and native species, and can affect health and social amenity. We assessed how effectively terrestrial plant and animal pests are managed.

We found that WA is relatively free from many pests, plant and animal diseases, reflecting the priority that has been put on preventing new pests entering the state. For pests that are already established here, the audit raised concerns about whether resources are effectively used and targeted and whether landholders are controlling pests on their land.



The scale of the task means managing all established pests statewide relies on cooperation and collaboration between multiple government agencies and landholders. We found that current levels of cooperation and collaboration fall short of those needed, and the state lacks an effective statewide pest management framework. We found that information on the impact of pests was limited, the reasons why some pests are prioritised was not always clear, and there had been little or no enforcement activity to make sure landholders control pests on their land.



We concluded that these issues, taken together and over time, expose the state to an increased risk that established pests will spread and have a growing impact.

December 2013

Western Power's Management of its Wood Pole Assets



Western Power manages 629 000 wood power poles across 253 000km² of south-west WA. Seven inquiries in five years had found its management of its wood poles to be poor. We looked at whether Western Power had met commitments it gave including to a parliamentary committee to improve the safety and reliability of its wood poles, and if it met regulatory and accountability requirements.



We concluded that Western Power had begun a long process to improve pole safety and reliability. A five year, \$1.35 billion plan to replace or reinforce 370 000 poles by July 2017 had exceeded its first year target. However, the pole network would not reach a 'steady state' until 2022 at the earliest and cost at least another \$1 billion. There were no plans or targets to reach 'steady state', but the agency was changing its asset management systems and practices to better identify risks and prioritise activity and resourcing.



We found Western Power had prioritised compliance and communication with regulators and stakeholders, but it was not going to meet a December 2015 deadline imposed in 2009 by Energy Safety to replace or reinforce 279 000 unsupported rural wood poles that failed a specific safety guideline.

November 2013

Opinions on Ministerial Notifications



Ministers Jacob, Redman and Day notified the Auditor General of their decision not to provide information to Parliament as required by s82 of the *Financial Management Act 2006*.

Decision was reasonable and appropriate:

- Minister Jacob in his role as Minister for Environment relating to information on legal advice sought in relation to the Margaret River bushfires in 2011. A point to note is advice from the State Solicitor's Office that Ministers do not have authority to expressly waive privilege in legal advice provided to executive government. Only the Attorney General or his delegate may do so.



Decision was not reasonable and was therefore not appropriate:

- Minister Redman in his role as Minister for Forestry relating to information on contracts of sale with the Forest Products Commission.
- Minister Day in his role as Minister for Planning relating to information on outcomes of a tender for a public relations services contract for Whiteman Park.



In all three instances the agencies' advice to their Minister was not supported by a thorough, documented assessment of relevant issues to support the advice.

November 2013

Audit Results Report – Annual 2012-13 Assurance Audits



This report summarised the results of the audit opinions of financial statements, controls and key performance indicators (KPIs) of 152 agencies at 30 June 2013 and also detailed 180 Royalties for Regions and 23 other audit certifications issued.

Nine agencies received qualified opinions. These alert readers to inaccuracies or deficiencies in the agencies' audited financial statements, controls or KPIs presented in their annual reports and tabled in Parliament.

We reported 428 financial and 282 information system control deficiencies and 56 KPI deficiencies to agency management, and these issues were summarised in the report. Late or non-tabling of annual Statements of Corporate Intent by 23 agencies operating at arm's length from government was also raised as an area of legislative non-compliance.

Information on the financial position of the Government of Western Australia was presented for the first time. Selected results from the Annual Report on State Finances (ARSF) and transactions and trends identified during our audits of individual agencies were reported to assist Parliament in monitoring the public sector.



November 2013

Public Trustee: Administration of the Financial Affairs of Vulnerable People



The Public Trustee manages the financial affairs of some of the most vulnerable people in our state either by acting as trustee, manager, substitute trustee or administrator. It manages around 5 000 clients with gross assets worth hundreds of millions of dollars. The audit assessed the Public Trustee's administration of its client's accounts.

Overall we found the Public Trustee was meeting its responsibilities in managing an increasing number of clients with complex needs. There were some areas of governance that could be strengthened. These included the need for greater rigour in checking payments for client carer services, improved controls over systems used to manage client information and payments, and better identification and management of potential conflicts of interest.



September 2013

Sustainable Funding and Contracting with the Not-For-Profit Sector – Component 1



The Not-For-Profit (NFP) sector is playing an increasingly important role in delivering a range of services to the community on behalf of government.

To address the shortfall between the level of support provided to the NFP sector to provide community services and the cost of doing so, the government announced a range of funding and contracting reforms in its 2011-12 budget. These included a funding increase to the NFP sector of more than \$600 million over four years to be introduced in two phases.

In this audit we examined the rollout of Component I of the government's reforms, and found the funding was well planned although the tight timelines created challenges for some agencies in identifying eligible NFP Organisations (NFPO) and finalising contract variations.

Some errors were found in agencies' calculation of the funding entitlement of each NFPO. These were identified and addressed during the rollout of funds. A framework has been put in place for monitoring, evaluating and reporting on the reform. The NFP sector has commented positively on the rollout of Component I.



September 2013

The Banksia Hill Detention Centre Redevelopment Project



Between 2010 and 2012, the Banksia Hill juvenile detention centre was redeveloped to increase its capacity. The extra capacity was for detainees moved from Rangeview Remand Centre which was being converted to a young adult facility. Our audit assessed whether the redevelopment project was effectively planned and managed.

We found that DCS did not adequately consider the long term impact of expanding Banksia Hill and converting Rangeview. This reduced the number of juvenile detention facilities to one, limiting DCS' flexibility to respond to operational issues or increases in the number of juvenile detainees.

We found that project management practices were ineffective, oversight was insufficient and communication was poor. The approach taken did not reflect the risks of building inside an operational detention centre. The risks, including some to security, were later realised. Some of the core buildings were 12 months late, and others had not been delivered.



August 2013



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 professional development days are held monthly and are well attended by our employees.

Our People

Our People

Managing our Office

The role of this Office and the work we do is important and valued by Parliament, the public sector and the community. Delivering high quality outcomes efficiently and effectively requires a competent, dedicated and enthusiastic workforce. We understand how important it is to manage our people, develop them and provide them with opportunities to grow. Our focus is to provide all our people with a supportive environment and encourage them in their role of working with us to achieve the desired outcomes of this Office.

Workforce Development Plan

Our Workforce Development Plan 2011-2016 is integral to managing and developing our people. It is delivering a wide range of positive outcomes for both individuals and the Office. A recent development has been the realignment of our Workforce Development Plan with the Office Strategic Plan 2011-16. This allows a clear line of sight from specific initiatives directly to the key result areas identified in our strategic plan:

- Our Clients
- Our Products and Services
- Our People
- Our Business Performance

To help deliver the plan's initiatives this year we have streamlined a number of human resource processes, and used technology more effectively to deliver efficiencies in services to internal and external clients. Reporting progress against the plan has been a key focus,

and this year we have improved internal reporting, increasing quality, timeliness and accuracy.

We are now in the third year of the plan and are building significantly on the foundation work of the prior years to deliver on a range of initiatives for the business.

Learning and professional development

The Office's Professional Development Plan outlines our requirements, strategies and goals for the current year and going forward. Our Professional Development Committee is focused on delivering a well structured program designed to meet both the needs of the Office and individuals. Input for the topics and training areas is received directly from individuals or as a result of development areas identified through the performance development and review program (see page 60).

The Professional Development (PD) Program has a whole of office component as well as targeted sessions reflecting specific employee training needs, delivered across relevant business units.

An example of the targeted training we deliver is the focus groups for CPA and Institute of Chartered Accountants Australia candidates. Employees undertaking these exams identify issues and topics for discussion relevant to their studies and the committee arranges a speaker to discuss and guide them through these issues.

Our whole of office training is delivered through monthly PD Day sessions. This program includes both technical and non-technical learning and continues to evolve, taking on board comments and suggestions for improvements from all attendees. Some sessions are led by specialist guest speakers or external subject experts, but we also

recognise the importance of fostering the speaking and presentation skills of our own employees. Giving our people the opportunity to present on topics within their expertise and providing constructive feedback has resulted in lifting presentation skills and developing our employees.

Specific training sessions presented in 2013-14 included:

- efficiencies in financial audit
- continuous improvement – post project reviews
- business continuity planning and risk management
- audit sampling techniques and methodology
- audit quality – importance, role and responsibility
- independence and professional scepticism
- health and wellbeing sessions
- accounting and auditing standards update.

We supplement our training program through the use of blended learning solutions, incorporating a broad range of traditional methodologies. Our use of technologies such as online courses and webcasts of national speakers continues to grow in line with increasing compliance requirements. This year we extended our online training suite to include Accountable and Ethical Decision Making.

The Office is proud to be acknowledged with Recognised Knowledge Partner Status by CPA Australia, as a result of our commitment to PD and training. Throughout this year, our employees have continued to receive a number of benefits, most notably automatic continuing professional development recognition for CPA auditors. We have recently received recognition with the Institute of Chartered Accountants Australia as a Recognised Training Employer.

To evaluate the relevance and quality of our PD Program, session content and presenter style, employee feedback is sought each month.

Graduate recruitment and support

We were encouraged with a large number of applicants for our graduate recruitment program this year. There was a significant shift in the demographic of the applicants with more mature candidates succeeding in a large, quality pool.

We continually refine the recruitment process to ensure the very best candidates are appointed. This year a final interview with senior directors was included as an additional part of the selection process to assess the communication capability of recommended applicants.

There is a time lapse between when the job offers are made and the date new graduates take up their appointment and benefits can be realised by using this time to introduce the new graduates to some of our Office activities. Attendance at these events provides the graduates with the opportunity to get to know some of the employees prior to their official commencement and keeps them engaged with us and excited about their new career opportunity.

We were pleased to welcome eight new graduates to the Office in February 2014. In line with our Workforce Development Plan, we sought opportunities to refine and improve our graduate induction program. All graduates attended an intensive three week training program which covered a range of aspects including what it means to be a member of the public service, what it means to be a member of the Office of the Auditor General, as well as practical training on our financial auditing methodology.

This program ensures the new graduates receive the best induction to our business and provides a strong foundation both for them to grow as part of our workforce and to deliver the required outcomes.

Performance development and review

The Office's performance development and review tool was reviewed this year. The review included a range of consultation and input from all employees and resulted in a number of changes which have been endorsed by the Executive Management Group.

Some of the recommendations related to administrative aspects of the process, others were related to the content and the process itself.

A significant modification has been to align the tool with the key result areas identified within our Strategic Plan, demonstrating to employees how their activities and daily tasks contribute directly to the outputs of the Office. The tool and the process allow meaningful, constructive and objective discussions on performance to be undertaken with employees and opportunities for specific professional and personal development to be identified and planned.

An effective performance development and review program is dependent on all employees having a clear understanding of what is required of them; both the expectations and targets.

It also depends on the ability of managers and supervisors to accurately relay that information and deliver constructive criticism where necessary.

To ensure success and employee commitment to the process, comprehensive training for employees and managers will be undertaken prior to the revised tool being implemented.

Leadership and management program

This year we completed a review of the customised Leadership and Management Program for executive and managers that we have been offering since 2011. This review considered if the program was engaging participants, and meeting business needs and learning outcomes. As a result we made some changes to both the content, the timing and the structure of the course.

This year's program sees a fourth cohort of senior employees undertaking the 18 week workshop series. Each participant of the Leadership and Management Program has a mentor to assist and guide them through the program and beyond.

As part of the course, all participants are required to apply leadership and management concepts, skills and tools to develop and deliver a business improvement project, either as an individual or as part of a team. These projects, focused on enhancing the efficiency and effectiveness of our business, provide immediate returns and direct benefits to the Office. Some will have longer term impacts as the efficiencies continue and create more opportunities for change.

The projects that have been completed this year include:

- creation of an information control system which will enable tracking of audit topic information through the full lifecycle, from idea to audit
- review of our Professional Development Review program, with revamp of forms and publication of supporting material
- 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.

This has been a significant investment in our people and aims to provide advanced leadership and management skills for all our leaders. The united approach to management and a common management language across the Office is delivering a range of positive outcomes, some of which were not initially expected. Having had 42 employees complete the program to date, it is changing the face of leadership in the Office.

An extension of our recognition of the importance and value of leadership training has resulted in the rollout of New Supervisor training for our next level of leaders. By providing this level of training we are helping to equip them for future management roles.

Investing in the development of our employees is important and rewarding. We are seeing clear benefits within our workforce and enjoying watching our people mature and develop through these training opportunities.

University liaison program

Strong relationships with the state universities support our commitment to professional and academic development, our graduate recruitment program, and our annual information systems audit work.

Relationships with the universities continue through targeted sponsorship of business school awards and scholarships at the five Western Australian universities – Curtin, Edith Cowan, Murdoch, Notre Dame and the University of WA.

We have a number of initiatives in place to raise the Office's profile as an employer and create opportunities for students to experience public sector work.

This year, in response to the strategic objectives of promoting the OAG as a potential employer and building relationships with tertiary institutions, we have negotiated a mutually beneficial trial internship program with ECU. This serves both the Office and the University well and we hope to establish similar relationships in the future.

Placements will be unpaid as participants attract credits towards the qualification for which they are studying. The first intern will commence in early August and undertake a range of projects in our Technical and Audit Quality Unit.

We also have a long standing relationship with ECU for student placements in our Information Systems and Performance Audit business unit.

Secondments and traineeships

Secondments between the Office and other public sector agencies are a cost effective and efficient way of allowing sector employees the opportunity to broaden their experience, improve their expertise and increase their skill set. Secondments also provide benefits to the Office with employees bringing different ideas and suggestions back to our workplace at the conclusion of the secondment.

Table 15 shows the different placements in and out of our Office since 2011-12.

Placements	2011-12	2012-13	2013-14
Into the Office from other agencies	7	8	6
Out of the Office to other agencies	14	15	11
Trainees	3	2	1
Work experience	4	0	0

Table 15

In addition to secondments across the Western Australian public sector we have an ongoing relationship with audit offices within Australia and around the world. This year we have been happy to support the secondment of an employee to the British Columbia Audit Office as well as accept a secondee from their Office to work with us in performance auditing for six months.

There is a great amount of value from these exchanges in the sharing of ideas, approaches and techniques.

Secondee from the Solomon Islands



Gerbera Maqiti was seconded to our Office in October 2012 from the Solomon Islands Office of the Auditor General, where her work mainly focused on financial audit compliance activities for provinces. She received an internationally competitive merit-based scholarship from the Australian Government that supports citizens of Asian Pacific origin to study in Australia.

During her time at the Office of the Auditor General, Gerbera worked in various areas of the business, such as Technical and Audit Quality, Financial Audit and Information Systems and Performance Audit. While in Perth, Gerbera completed her Associate Degree in Business at Polytechnics West.

“The tasks and projects that I have been involved with have certainly opened my eyes to how a large developed audit office carries out an audit. I will be going back to Solomons with a tool box full of different ideas which will help to improve our audit work there.” – Gerbera Maqiti

We appreciated the chance to work alongside Gerbera, who fitted seamlessly into the Office. Although it was a shame to see her secondment end in June 2014, we are excited about the ongoing relationship we will have with the Solomon Islands Office of the Auditor General.

Our workforce

Table 16 provides details of the profile of the workforce of this Office by business unit. We have seen a slight increase in employee numbers which in part 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.

Full time equivalent employees by business unit

Business Units	2009-10	2010-11	2011-12	2012-13	2013-14
Auditor General	5.0	6.3	4.6	6.8	5.8
Financial Audit	54.4	59.4	59.5	60.4	65.2
Information Systems and Performance Audit	11.3	11.7	12.2	12.9	13.4
Performance Audit	12.3	15.6	18.8	14.0	15.0
Technical and Audit Quality	6.3	4.6	6.0	9.9	5.8
Business Services	18.4	21.5	20.5	20.6	22.2
Total	107.7	119.1	121.6	124.6	127.4

Table 16

Employee attrition

Our attrition rate at 5.5 per cent was a significant decrease from last year and prior years. This is a positive indication that the initiatives we are putting in place are encouraging our employees to continue as part of our workforce.

The economic environment and demand from other public sector entities for audit skills is known to create attrition issues for all audit offices, however the retention strategies and other initiatives identified in our Workforce Development Plan are designed to enhance our competitiveness in recruiting and retaining quality employees (refer to page 58 for more information).

A result from our last employee survey (see page 66) shows that 92 per cent of our employees would recommend this Office as a place of work to others.

Of the seven terminations in 2013-14, three were resignations and the remaining four were transfers to other public sector agencies.

Employee attrition rate

2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %
17	11	17	11	5.5

Table 17

Equity and diversity

The Office values diversity and fosters an environment that is inclusive and free from bias. The Office employs a diverse workforce as indicated in Table 18 (over the page) which shows the representation of each diversity group as a percentage of our workforce at 30 June 2014.

With over 34 per cent of employees from culturally and linguistically diverse and non-English speaking backgrounds there are unique challenges for these employees, especially in the area of communication skills. To assist we offer identified employees specific speech therapy support to help in both verbal and written communication skills. We also make available to all employees the online Macquarie Dictionary which includes an English pronunciation tool.

By identifying specific training needs of our culturally diverse workforce we are able to support them and ensure they have the required skills and abilities to complement their technical and leadership skills.

Workplace Behaviour and Equal Employment Opportunity (EEO) training is provided to graduates and new employees as part of their induction program and repeated throughout the year for all employees.

Table 18 is a representation of each diversity group as a percentage of our workforce at 30 June 2014.

Equity and Diversity	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %
Women	58.5	58.9	58.0	58.0	56.0
Aboriginal people	0.0	0.0	0.0	0.0	0.0
People from culturally diverse backgrounds	40.6	36.4	36.4	25.0	34.0
People with disabilities	3.3	3.1	3.1	2.9	1.3
Youth	13.0	9.8	9.8	11.7	6.8

Table 18

Grievance resolution

The Office 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.

These Officers are often sought out by employees, not always to lodge a grievance but also as a confidential person that they can discuss issues with and seek support and/or guidance.

The names of our grievance officers are published on the intranet and on posters around the Office, reminding our employees that this resource is available.

We ensure our grievance officers attend regular refresher courses, and highlight to all employees through our professional development days the importance of behaving in a manner that is free from discrimination or bias.

Code of conduct

The Office of the Auditor General is committed to the highest standards of corporate governance. Employees are to comply with all requirements of our internal policies, legislation and our code of conduct. The code of conduct specifies appropriate standards of employee behaviour, with direct relevance to the Office's unique role and responsibilities. Employees must also adhere to requirements imposed on professional auditors.

Our code of conduct refers to expected behaviours in areas such as:

- personal behaviour
- communication and official information
- fraudulent and corrupt behaviour
- use of public resources
- recordkeeping and use of information
- conflicts of interest and gifts and benefits
- reporting suspected breaches of the code.

Employees acknowledge their understanding of and commitment to the Office's code of conduct annually. The signed declaration states their commitment to and acknowledgement of the unique personal and professional obligations of working with the Office of the Auditor General and their continuing compliance with the code's requirements.

A positive result of our 2014 Employee Survey, was 98 per cent of employees indicated their understanding of our code of conduct and behaviours expected of them (see page 66).

Employee relations

The Office continued to operate in a cooperative industrial climate, and values a supportive and cohesive work place culture. To achieve this requires effective two way communication between the executive and employees and reinforcing to all employees that their contribution is valued and encouraged.

Within our Office, the following avenues exist to support strong communication and the sharing of information and ideas at all levels of our workforce.

Office Consultative Committee

Our Office Consultative Committee meets regularly to discuss issues affecting employees. The committee is elected by employees and discusses many issues ranging from employee-related policies and procedures through to management and provision of staff amenities. The committee provides comments and suggestions to the Executive Management Group and this provides an important avenue for internal communication.

Office forums

Held quarterly, the two hour office forum is attended by all employees. The forums provide the opportunity to congratulate and acknowledge the achievements of the different business units over the past quarter, including reports that have been tabled and progress towards other business projects. The forums also provide the opportunity for the Auditor General to inform all employees of significant issues that we are dealing with or which are on the horizon.

We use the forums as an opportunity to share relevant employee matters including employee movements, transfers and new appointments, and also personal news relating to engagements, weddings and babies.

Forums are the vehicle we use to share relevant performance information, how we are performing and meeting our targets, as well as areas where additional effort may be required. We also use this as an opportunity to hear from employees, especially those on secondment with us from other countries or those returning from a period of secondment, to share lessons learned.

In the final forum of each year, we invite a guest speaker to provide a light hearted session.

Employee survey

In May we conducted our employee survey. This is conducted every two years and although there are many avenues available for employees to express their views, this is an important one because the opinions of our employees matter.

This year we made a number of content changes while at the same time keeping some consistency with prior years' surveys. The purpose of changing the content slightly was to align with some common questions asked by other audit offices and private industry to allow us, to some extent, to benchmark our performance.

Results from the survey were published on the intranet and shared with all employees at an office forum. The full content will inform our workforce development planning and the Executive Management Group will look at the results in detail and use the information to guide our planning and direction as part of our strategic planning review and discussions.

The response rate for the survey was 74 per cent and contained both positive feedback as well as areas for us to improve. There was a strong positive response in relation to strategic planning and our Office goals, – which is pivotal as achievement of our long term aims requires the support and buy in of our employees. Overwhelmingly 98 per cent understand the code of conduct and the behaviours expected of them.

There were encouraging responses relating to job satisfaction, with positive responses between 75 per cent and 90 per cent for all questions in this section. Most respondents believe their work is interesting and meaningful, with 85 per cent stating their work is adding value to the community. Most respondents were non-committal however when it came to being valued as individuals and this is an area for us to look into further. It was encouraging to note that 92 per cent of employees would recommend this office to others as a good place to work.

Communication was highlighted as a significant concern in the last survey in 2012, but results showed significant improvement this year which is encouraging as we have put some effort into this area. We were greatly encouraged to see that communication from direct team supervisors was rated really highly, and this positively reflects on the people in those roles.

Some employees provided a negative response regarding resourcing, with insufficient time and budget listed as one of the main job related concerns. Unfortunately the nature of our business requires tight deadlines and we are all mindful of the need for efficiency, particularly with current economic constraints. However this is an area which Executive will look at further to seek ways of helping employees manage within the required parameters.

Unfortunately, not all employees agreed the Office was free from bullying and harassment. Although we believe we have strong processes and avenues in place to address these issues, further work may be required in this area.

One of the most positive results was that 91 per cent of the respondents like the people they work with. So we congratulate our employees for their efforts in contributing to a positive working environment.

Employees suggestion box

We introduced an online employees suggestion box in July 2010 and this continues to be a popular communication tool. The suggestion box is easily accessible through the intranet and employees can ask any questions or make suggestions on issues relating to the Office. Responses are coordinated and posted on the suggestion board for all employees to view.

The suggestion box opens up the opportunity for new ideas to come from all employees and all areas of the Office. Comments and

suggestions received have covered a variety of issues including technical audit questions, clarification on policy or procedures, suggested new approaches to doing things and new productivity ideas.

While not all suggestions are possible to put in place, one suggestion which has been implemented is the rotation of senior employees as attendees at Executive Management Group meetings to provide a learning and development opportunity.

We have also implemented an improved approach to searching and recording work in progress on the intranet so everyone is aware of the work currently being undertaken by different business units.

Suggestions that are more inventive are forwarded to the innovation team for consideration.

Doing our bit for charity

Our Office has always participated in fundraising activities and we pride ourselves on doing our bit for charity. There are many opportunities and worthwhile charity groups to support however this year we formalised our approach to fundraising by selecting specific charities and events we would support throughout the year.

By forward planning we ensured our charity efforts were as effective as possible. Some of the fundraising efforts we conducted throughout 2013-14 included:

- Cancer Council's Biggest Morning Tea
- Ride to Conquer Cancer
- HBF Run for a Reason.

Health and wellbeing

The health and wellbeing of our workforce is a high consideration. We are aware that we expect a lot from our employees and it is important that we encourage them to find the right work-life balance. This may be achieved through providing information, guest speakers and educational material to raise awareness.

The following provides details of specific avenues for assistance and programs that exist for our employees. Information relating to our occupational safety, health and injury management is available on page 118.

Employee Assistance Program

This service provides an independent resource to provide counselling, advice and support to all employees. It is highly valued and continues to be used in a range of situations.

This program is accessible by our employees and their immediate family members, giving them a resource to seek support and guidance on matters of a personal or work related nature.

The service is available to managers and supervisors to seek advice on dealing with difficult situations and the option also exists for the Office to direct employees to attend counselling sessions with the service provider if it is considered that the individual would benefit from this additional support.

Through our Human Resources area, the Executive Management Group receives regular de-identified reports on its use and through analysis, can identify, monitor and act on any emerging trends in employee issues.

Wellness Committee

The Wellness Committee was formed to engage employees in healthy activities and improve wellbeing across the Office. Events and initiatives organised by the committee have been developed to promote team building, cultural awareness, physical activity and good health. The Office is committed to a positive, uplifting workplace that encourages and supports positive work and life choices.

This year new committee members were appointed and organised a number of wellness initiatives that were supported by the Office including:

- Group Blood Donor days through the Australian Red Cross
- Personal ergonomic sessions for employees
- Flu vaccination program
- Awareness raising of RUOK? Day, Mental Health Week and Lifeline
- Office basketball team
- Promotion of the availability of nearby yoga classes
- External guest speakers at our PD days, including an expert audiometrist
- Chinese New Year lunch to promote cultural diversity
- March the River, a walk around the Swan River to the South Perth Esplanade, followed by refreshments, networking and soccer.

Social club

Our Office Social Club has a wide membership across the various business units. It has a focus on coordinating various employee activities throughout the year, and has also organised support for various charities. These include the Loud Shirt Day, typhoon relief and other charitable initiatives.

Our Social Club also organises a variety of social events including the end of financial year lunch, Melbourne Cup lunch, sundowners and activities such as bowling.



Some of our social club members attending last year's Christmas function were from left Aaron Panzich, Julie Foster and Ray Marchetti.

Green team

In keeping with our corporate policy and strategic plan we are committed to limiting the use of resources and minimising waste. This includes raising awareness of sustainable development issues to assist employees in making choices that respect the environment.

Our Energy Management Plan 2012-16 identifies the following key areas to realise ongoing energy consumption and cost savings.

- Measurement – accurate measurement and monitoring provides a baseline for achieving results that are measurable. To achieve this we examine our monthly utility statement and maintain an ongoing record of energy usage by floor to identify significant variations.
- Behaviour – promoting energy conservation and energy efficient behaviour among staff can also lead to savings. We encourage staff to turn office equipment off when not in use and we promote responsible energy usage, both at home and at work.
- Technology – utilising energy efficient technology and using existing equipment more efficiently can provide significant long term savings. We achieve this by considering the life cycle costs of all new plant and equipment, ensuring equipment replacement programs considers energy efficient alternatives and where possible set high energy usage equipment to auto save.

Originally in our Energy Management Plan we had a target of reducing energy across the Office by five per cent over five years from 2011-12. However, as we relocated premises part way through that year 2011-12 does not provide an appropriate baseline. Throughout 2012-13 an area of our tenancy was not being accurately measured by building management, but this has now been rectified and we can confidently use the 2013-14 figures as a solid base upon which to measure our performance in future years.

Regardless of these measurement issues, we are continuing to monitor our monthly performance, promoting the importance of saving energy and advocating energy conservation across all areas of the Office where possible.

Financial Statements, Performance Indicators, Disclosures and Other Legal Requirements



Certification of Financial Statements for the year ended 30 June 2014

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 2014 and the financial position as at 30 June 2014.

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
4 August 2014



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
4 August 2014

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 2014, 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.



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Bentleys Audit & Corporate
(WA) Pty Ltd
Level 1, 12 Kings Park Road
West Perth WA 6005
Australia
PO Box 44
West Perth WA 6872
Australia
ABN 33 121 222 802
T +61 8 9226 4500
F +61 8 9226 4300
bentleys.com.au

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 2014 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 2014.

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 2014.

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 2014.

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 2014.

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, 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 2014 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

DOUG BELL
Director

Dated at Perth this 4th day of August 2014

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$000	2013 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	5	14 056	13 444
Supplies and services	6	6 604	6 482
Depreciation and amortisation expense	7	442	458
Accommodation expenses	8	2 216	2 057
Other expenses	9	61	58
Total cost of services		23 379	22 499
Income			
<i>Revenue</i>			
User charges and fees	10	16 780	15 467
Other revenue	11	33	22
Total Revenue		16 813	15 489
Total income other than income from State Government		16 813	15 489
NET COST OF SERVICES		6 566	7 010
Income from State Government	12		
Service appropriation		6 790	6 665
Services received free of charge		531	470
Total income from State Government		7 321	7 135
SURPLUS FOR THE PERIOD		755	125
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		755	125

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

Statement of Financial Position as at 30 June 2014

	Note	2014 \$000	2013 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	23	2 619	2 789
Receivables	14	7 347	7 211
Amounts receivable for services	15	297	297
Other current assets	16	535	282
Total Current Assets		10 798	10 579
Non-Current Assets			
Restricted cash and cash equivalents	13, 23	538	467
Amounts receivable for services	15	1 708	1 339
Property, plant and equipment	17	750	534
Intangible assets	18	232	204
Total Non-Current Assets		3 228	2 544
TOTAL ASSETS		14 026	13 123
LIABILITIES			
Current Liabilities			
Payables	20	1 107	1 236
Provisions	21	2 551	2 656
Total Current Liabilities		3 658	3 892
Non-Current Liabilities			
Provisions	21	874	792
Total Non-Current Liabilities		874	792
TOTAL LIABILITIES		4 532	4 684
NET ASSETS		9 494	8 439
EQUITY			
Contributed equity	22	7 481	7 181
Accumulated surplus		2 013	1 258
TOTAL EQUITY		9 494	8 439

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 2014

	Note	Contributed equity \$000	Accumulated surplus \$000	Total equity \$000
Balance at 1 July 2012	22	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
Balance at 1 July 2013	22	7 181	1 258	8 439
Surplus		-	755	755
Total comprehensive income for the period		-	755	755
Transactions with owners in their capacity as owners:				
Capital appropriations		300	-	300
Total		300	-	300
Balance at 30 June 2014		7 481	2 013	9 494

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 2014

	Note	2014 \$000	2013 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		6 124	6 024
Capital appropriations		300	860
Holding account drawdown		297	297
Net cash provided by State Government		6 721	7 181
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(13 998)	(13 014)
Supplies and services		(7 026)	(6 630)
Accommodation		(1 723)	(1 606)
GST payments on purchases		(932)	(861)
GST payments to taxation authority		(1 026)	(996)
Other payments		(60)	(58)
Receipts			
User charges and fees		16 640	15 405
GST receipts on sales		1 710	1 638
GST receipts from taxation authority		248	221
Other receipts		33	22
Net cash used in operating activities	23	(6 134)	(5 879)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(686)	(451)
Net cash used in investing activities		(686)	(451)
Net increase/(decrease) in cash and cash equivalents		(99)	851
Cash and cash equivalents at the beginning of the period		3 256	2 405
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23	3 157	3 256

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 2014

	2014 Estimate \$000	2014 Actual \$000	Variance \$000	2014 Actual \$000	2013 Actual \$000	Variance \$000
DELIVERY OF SERVICES						
Item 55 Net amount appropriated to deliver services	6 096	6 096	-	6 096	6 017	79
Amount Authorised by Other Statutes						
– <i>Salaries and Allowances Act 1975</i>	694	694	-	694	648	46
Total appropriations provided to deliver services	6 790	6 790	-	6 790	6 665	125
CAPITAL						
Item 143 Capital appropriations	300	300	-	300	860	(560)
GRAND TOTAL	7 090	7 090	-	7 090	7 525	(435)
DETAILS OF EXPENSES BY SERVICE						
Public Sector Auditing	22 817	23 379	562	23 379	22 499	880
Total Cost of Services	22 817	23 379	562	23 379	22 499	880
Less Total Income	(16 155)	(16 813)	(658)	(16 813)	(15 489)	(1 324)
Net Cost of Services	6 662	6 566	(96)	6 566	7 010	(444)
Adjustments	128	224	96	224	(345)	569
Total appropriations provided to deliver services	6 790	6 790	-	6 790	6 665	125
CAPITAL EXPENDITURE						
Purchase of non-current physical assets	597	686	89	686	451	235
Adjustments for other funding sources	(297)	(386)	(89)	(386)	409	(795)
Capital appropriations	300	300	-	300	860	(560)

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

Note 27 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2014 and between the actual results for 2014 and 2013.

Notes to the Financial Statements for the year ended 30 June 2014

Note 1. Australian Accounting Standards

General

The Office of the Auditor General's (the Office) financial statements for the year ended 30 June 2014 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 2014.

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).

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 appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

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

(e) Income

Revenue recognition

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

Sale of goods

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

Provision of services

Revenue is recognised 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 2013-14 Budget Statements, the Office retained \$16.8 million in 2014 (\$15.5 million in 2013) 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.

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:

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
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(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 that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

(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. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. As the Office is a not-for-profit entity, unless a specialised 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
 - 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 20 *'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 13 *'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.

(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

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long term employee benefits'. The annual leave liability 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 three years 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 30 June 2014 determined that the liability measured using the short-hand measurement technique above was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Office's experience of employee retention and leave taken.

Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement 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 calendar 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.

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

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises 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 or services received free of charge or for nominal cost, that the Office would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they 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, \$25 000 in computer software licences which were recognised as computer maintenance expenses under the repairs and maintenance expenditure category in the 2012-13 financial year were reclassified as licence expenses under the administration expense category. This change in presentation is considered to provide more relevant information and has been adopted in the current year. Refer note 6 'Supplies and services'.

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.

Work-in-Progress Percentage of Completion

For audits conducted in-house by Office staff, the percentage completed is estimated from the percentage of budget hours completed as at 30 June 2014.

For contract audits, the percentage completed as at 30 June 2014 is estimated on the basis of actual invoices received from contract audit firms, supplemented by their estimate of subsequent work completed but not yet billed.

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 2013 that impacted the Office.

AASB 119 Employee Benefits

This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.

The Office assessed employee leave patterns to determine whether annual leave is a short term or other long term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)[AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]

This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]

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.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]

This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.

Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.

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.

		Operative for reporting periods beginning on/after
<i>Int 21</i>	<p><i>Levies</i></p> <p>This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for the Office at reporting date.</p>	1 Jan 2014
<i>AASB 9</i>	<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>The mandatory application date of this Standard was amended to 1 January 2018 by AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<i>AASB 10</i>	<p><i>Consolidated Financial Statements</i></p> <p>This Standard, issued in August 2011, 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 for not-for-profit entities by AASB 2012-10 <i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments</i>. The adoption of the new Standard has no financial impact for the Office as the Office has no interests in other entities.</p>	1 Jan 2014

Future impact of Australian Accounting Standards not yet operative (cont)

		Operative for reporting periods beginning on/after
<i>AASB 11</i>	<p><i>Joint Arrangements</i></p> <p>This Standard, issued in August 2011, supersedes AASB 131 <i>Interests in Joint Ventures</i>, introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact for the Office.</p>	1 Jan 2014
<i>AASB 12</i>	<p><i>Disclosure of Interests in Other Entities</i></p> <p>This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i>, AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i>.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact.</p>	1 Jan 2014
<i>AASB 14</i>	<p><i>Regulatory Deferral Accounts</i></p> <p>The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
<i>AASB 127</i>	<p><i>Separate Financial Statements</i></p> <p>This Standard, issued in August 2011, supersedes AASB 127 <i>Consolidated and Separate Financial Statements</i>, removing the consolidation requirements of the earlier standard whilst retaining accounting and disclosure requirements for the preparation of separate financial statements. Mandatory application was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact.</p>	1 Jan 2014

Future impact of Australian Accounting Standards not yet operative (cont)

		Operative for reporting periods beginning on/after
<i>AASB 128</i>	<i>Investments in Associates and Joint Ventures</i>	1 Jan 2014
<p>This Standard supersedes AASB 128 <i>Investments in Associates</i>, introducing a number of clarifications for the accounting treatments of changed ownership interest.</p> <p>Mandatory application was deferred for not-for-profit entities by AASB 2012-10. The adoption of the new Standard has no financial impact for the Office as it does not hold investments in associates.</p>		
<i>AASB 1031</i>	<i>Materiality</i>	1 Jan 2014
<p>This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.</p>		
<i>AASB 1055</i>	<i>Budgetary Reporting</i>	1 Jul 2014
<p>This Standard requires specific budgetary disclosures 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>		
<i>AASB 2009-11</i>	<i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12] [modified by AASB 2010-7]</i>	1 Jan 2015
<i>AASB 2010-7</i>	<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>	1 Jan 2015
<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>		

Future impact of Australian Accounting Standards not yet operative (cont)

	Operative for reporting periods beginning on/after
<p><i>AASB 2011-7 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 issue 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. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
<p><i>AASB 2012-3 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.</p> <p>The Office does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is no financial impact.</p>	1 Jan 2014
<p><i>AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i></p> <p>This Standard introduces editorial and disclosure changes. There is no financial impact.</p>	1 Jan 2014
<p><i>AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]</i></p> <p>This Standard permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The Office does not routinely enter into derivatives or hedges, therefore there is no financial impact.</p>	1 Jan 2014

Future impact of Australian Accounting Standards not yet operative (cont)

		Operative for reporting periods beginning on/after
<i>AASB 2013-8</i>	<i>Amendments to Australian Accounting Standards Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]</i>	1 Jan 2014
	The amendments, issued in October 2013, provide significant guidance in determining whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investor’s relationship. The Standard has no financial impact in its own right, rather the impact results from the adoption of the amended AASB 10.	
<i>AASB 2013-9</i>	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>	1 Jan 2014
	This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of AASB 9 to 1 January 2017 (Part C). The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Office has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B.	1 Jan 2017
<i>AASB 2014-1</i>	<i>Amendments to Australian Accounting Standards</i>	1 Jul 2014
	The Office has not yet determined the application of the potential impact of the Standard.	1 Jan 2015
		1 Jan 2016
		1 Jan 2018

	2014 \$000	2013 \$000
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Note 5. Employee benefits expense

Wages and salaries ^(a)	12 814	12 333
Superannuation – defined contribution plans ^(b)	1 242	1 111
	14 056	13 444

(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.

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

Employment on-costs liability is included at note 21 '*Provisions*'.

	2014 \$000	2013 \$000
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Note 6. Supplies and services

Contracted audit work	4 401	4 323
Other services and contracts	545	667
Other staffing costs	319	244
Repairs and maintenance ^(a)	498	345
Travel and accommodation	218	244
Administration ^(a)	246	227
Consumables	122	190
Lease expenses	128	123
Communications	123	102
Advertising	3	11
Other	1	6
	6 604	6 482

(a) See note 2 (s) '*Comparative Figures*' for details of a change in categorisation of computer software licences from repairs and maintenance expense to administration expense

Note 7. Depreciation and amortisation expense

Depreciation

Office and computer equipment	346	404
Total depreciation	346	404

Amortisation

Intangible assets	96	54
Total amortisation	96	54
Total depreciation and amortisation	442	458

	2014 \$000	2013 \$000
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Note 8. Accommodation expenses

Office lease rentals ^(a)	1 604	1 609
Office parking	70	64
Monthly outgoings	542	384
	2 216	2 057

(a) Refer to note 25 'Commitments'.

Note 9. Other expenses

Employment on-costs	23	24
Audit fee	38	34
	61	58

Note 10. User charges and fees

Audit fees	16 780	15 467
	16 780	15 467

Note 11. Other revenue

Contributions for the use of motor vehicle	22	21
Miscellaneous	11	1
	33	22

	2014 \$000	2013 \$000
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Note 12. Income from State Government

Appropriation received during the period:

Service appropriation ^(a)	6 790	6 665
	6 790	6 665

Services received free of charge from other State government agencies during the period:^(b)

State Solicitor's Office	37	19
Department of Finance	494	451
	531	470
	7 321	7 135

(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 13. Restricted cash and cash equivalents

Non-current

Accrued salaries suspense account ^(a)	538	467
	538	467

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

2014
\$000

2013
\$000

Note 14. Receivables

Current

Accrued revenue	7 079	6 800
GST receivable	–	–
Receivables	247	387
Salary over-payments	21	24
Total current	7 347	7 211

Note 15. Amounts receivable for services (Holding Account)

Current	297	297
Non-current	1 708	1 339
	2 005	1 636

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.

Note 16. Other assets

Current

Prepayments	535	282
Total current	535	282

2014
\$000

2013
\$000

Note 17. Property, plant and equipment

Office and computer equipment

At cost	2 081	1 519
Accumulated depreciation	(1 331)	(985)
Accumulated impairment losses	–	–
	750	534

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.

	Office and Computer Equipment \$000	Total \$000
2014		
Carrying amount at start of period	534	534
Additions	562	562
Depreciation	(346)	(346)
Carrying amount at end of period	750	750
2013		
Carrying amount at start of period	679	679
Additions	259	259
Depreciation	(404)	(404)
Carrying amount at end of period	534	534

In 2014, the Office determined that the new laptops purchased would be depreciated over a useful life of 3 years, instead of the useful life of 2 years used for the previous laptops. This constitutes a change in accounting estimate and as such changes are made prospectively for new laptops acquired from 26 March 2014.

2014	2013
\$000	\$000

Note 18. Intangible assets

Computer software

At cost	1 053	928
Accumulated amortisation	(821)	(724)
Total intangible assets	232	204

Reconciliations:

Computer software

Carrying amount at start of period	204	67
Additions	124	191
Amortisation expense	(96)	(54)
Carrying amount at end of period	232	204

Note 19. Impairment of assets

There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2014. 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.

2014	2013
\$000	\$000

Note 20. Payables

Current

Accrued expenses	83	205
Accrued salaries	397	313
Paid parental leave	2	2
GST payable	–	–
Salary under-payments	–	6
Work in progress contractor audit work	625	710
Total current	1 107	1 236

2014
\$000

2013
\$000

Note 21. Provisions

Current

Employee benefits provision

Annual leave ^(a)	1 154	1 242
Long service leave ^(b)	1 256	1 302
Purchased leave ^(c)	71	61
Deferred salary scheme ^(d)	59	40
	2 540	2 645

Other provisions

Employment on-costs ^(e)	11	11
	11	11
	2 551	2 656

Non-current

Employee benefits provision

Long service leave ^(b)	870	789
	870	789

Other provisions

Employment on-costs ^(e)	4	3
	4	3
	874	792

2014
\$000

2013
\$000

Note 21. Provisions (cont)

- (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	777	1 133
More than 12 months after the end of the reporting period	377	109
	1 154	1 242

- (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	524	419
More than 12 months after the end of the reporting period	1 602	1 672
	2 126	2 091

- (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	71	61
More than 12 months after the end of the reporting period	–	–
	71	61

	2014	2013
	\$000	\$000

Note 21. Provisions (cont)

(d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the 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	59	–
More than 12 months after the end of the reporting period	–	40
	59	40

(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	14	12
Additional/(reversals of) provisions recognised	1	2
Carrying amount at end of period	15	14

	2014	2013
	\$000	\$000

Note 22. 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	7 181	6 321
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Contributions by owners

Capital appropriation	300	860
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Total contributions by owners

300	860
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Balance at end of period

7 481	7 181
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Accumulated surplus

Balance at start of period	1 258	1 133
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Result for the period	755	125
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Balance at end of period

2 013	1 258
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Total equity at end of period

9 494	8 439
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2014
\$000

2013
\$000

Note 23. 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	2 619	2 789
Restricted cash and cash equivalents (note 13 'Restricted cash and cash equivalents')	538	467
	3 157	3 256

2014
\$000

2013
\$000

Note 23. Notes to the Statement of Cash Flows (cont)

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services	(6 566)	(7 010)
Non-cash items		
Depreciation and amortisation expense (note 7 'Depreciation and amortisation expense')	442	458
Services received free of charge (note 12 'Income from State Government')	531	470
(Increase)/decrease in assets		
Current receivables ^(a)	(462)	(371)
(Increase)/decrease in liabilities		
Current payables ^(a)	(129)	113
Current provisions	(105)	258
Non-current provisions	82	182
Net GST receipts/(payments) ^(b)	–	–
Change in GST in receivables/payables ^(c)	73	21
Net cash provided by/(used in) operating activities	(6 134)	(5 879)

(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.

2014
\$000

2013
\$000

Note 24. 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
Chowerup Cemetery Board	8	–
Department of Housing	–	12
Dwellingup Cemetery Board	8	–
Landcare Trust	–	1
South Caroling Cemetery	2	–
State Supply Commission	–	1
Western Australian Building Management Authority	–	3
	18	19

2014
\$000

2013
\$000

Note 25. Commitments

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Within 1 year	2 338	2 159
Later than 1 year and not later than 5 years	10	2 191
Later than 5 years	–	–
	2 348	4 350

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 from 2011-12 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	2 316	2 566
Later than 1 year and not later than 5 years	821	994
Later than 5 years	–	–
	3 137	3 560

2014	2013
\$000	\$000

Note 26. Events occurring after the end of the reporting period

The Acting Under Treasurer wrote to Accountable Authorities on 23 July 2014 to advise of a cash management saving measure approved as part of the 2014-15 budget.

This measure seeks to ensure that levels of cash balances held within agencies are reasonable and not surplus to the agency's operating requirements. Excess cash balances at 30 June 2014 have been defined as non-excluded cash balances in excess of 5 per cent of an agency's budget for annual operating and financing payments. Department of Treasury ('Treasury') have outlined two options for the way in which surplus funds will be returned to the Consolidated Account: firstly, via a reduction in 2014-15 appropriation or secondly, via repayment of cash. Treasury will be assessing options in liaison with agencies and will make recommendations to the Economic and Expenditure Reform Committee on a case by case basis.

The impact of this cash management saving measure on the Office is expected to be either a \$1.5 million reduction in 2014-15 appropriation or a \$1.5 million cash distribution to owner.

Note 27. 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

Service Expenditure

Significant variances between estimate and actual for 2014

Although there was no significant variance in the total appropriation, there were significant variances in the following line items:

	2014 Estimate \$000	2014 Actual \$000	Variance \$000
Total cost of services	22 817	23 379	562
Total income	(16 155)	(16 813)	(658)

The variance in the total cost of services was primarily due to an increase in accommodation (outgoings and resources received free of charge from Department of Finance) and an increase in salaries expense. The variance in total income was primarily due to additional fees charged to agencies for additional audit work and an increase in the number of Royalties for Regions certifications.

Significant variances between actual results for 2014 and 2013

	2014 \$000	2013 \$000	Variance \$000
Total cost of services	23 379	22 499	880
Total income	(16 813)	(15 489)	(1 324)

The variance in total cost of services was primarily due to an increase in salaries expense as a result of higher FTE, backfilling staff on extended leave and providing higher duties allowance payments to several staff for extended periods. An increase in accommodation resources received free of charge from the Department of Finance in addition to higher accommodation outgoings expenses also contributed to the variance in total cost of services. The variance in total income was predominantly due to additional fees charged to agencies for additional audit work, an increase in the number of Royalties for Regions certifications and a higher work in progress balance at 30 June 2014.

Note 27. Explanatory statement (cont)

Capital contribution

Significant variances between actual results for 2014 and 2013

	2014 \$000	2013 \$000	Variance \$000
Capital contribution	300	860	(560)

Capital funding in 2012-13 was increased to offset purchases that were made in 2011-12 using internal cash balances. The capital funding amount for the current year represents the amount the Office would normally expect to receive in a financial year.

Note 28. 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 impairment as shown in the table at note 28(c) 'Financial instruments disclosures' and note 14 '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:

	2014 \$000	2013 \$000
Financial Assets		
Cash and cash equivalents	2 619	2 789
Restricted cash and cash equivalents	538	467
Loans and receivables ^(a)	9 352	8 847
	12 509	12 103
Financial Liabilities		
Financial liabilities measured at amortised cost	1 107	1 236
	1 107	1 236

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

Note 28. Financial instruments (cont)

(c) Financial instrument disclosures

Credit risk

The following table discloses 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 to 3 months \$000	3 months to 1 year \$000	1 to 5 years \$000	More than 5 years \$000	
2014								
Cash and cash equivalents	2 619	2 619	–	–	–	–	–	–
Restricted cash and cash equivalents	538	538	–	–	–	–	–	–
Receivables ^(a)	7 347	7 150	100	19	24	54	–	–
Amounts receivable for services	2005	2005	–	–	–	–	–	–
	12 509	12 312	100	19	24	54	–	–
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	–	–	–

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

Note 28. Financial instruments (cont)

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 to 3 months \$000	3 months to 1 year \$000	1 to 5 years \$000	More than 5 years \$000
2014											
Financial assets											
Cash and cash equivalents	–	2 619	–	–	2 619	2 619	2 619	–	–	–	–
Restricted cash and cash equivalents	–	538	–	–	538	538	–	–	–	538	–
Receivables ^(a)	–	7 347	–	–	7 347	7 347	7 347	–	–	–	–
Amounts receivable for services	–	2 005	–	–	2 005	2 005	–	297	–	1 708	–
		12 509	–	–	12 509	12 509	9 966	297	–	2 246	–
Financial liabilities											
Payables	–	1 107	–	–	1 107	1 107	1 107	–	–	–	–
		1 107	–	–	1 107	1 107	1 107	–	–	–	–

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

Note 28. Financial instruments (cont)

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 to 3 months \$000	3 months to 1 year \$000	1 to 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).

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.

2014
\$000

2013
\$000

Note 29. 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:

Remuneration Band (\$)	2014	2013
130 001 – 140 000	1	–
180 001 – 190 000	1	–
190 001 – 200 000	–	2
200 001 – 210 000	1	1
210 001 – 220 000	1	–
240 001 – 250 000	–	1
250 001 – 260 000	1	1
280 001 – 290 000	1	1
420 001 – 430 000	–	1
440 001 – 450 000	1	–
	\$000	\$000
Base remuneration and superannuation	1 538	1 487
Annual leave and long service leave accruals	(44)	89
Other benefits	253	229
Total remuneration of senior officers	1 747	1 805

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

A Senior Officer left the Office during the year, with the Officer's remuneration included up until the termination date. The Officer acting in the position since that date is not included in the remuneration disclosures as the Officer has acted for less than three months during the year.

2014
\$000

2013
\$000

Note 30. 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	42	38
	42	38

Note 31. Related bodies

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

Note 32. Affiliated bodies

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

Note 33. Special purpose accounts

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

2014	2013
\$000	\$000

Note 34. Supplementary financial information

(a) Write-offs

During the financial year, \$1 000 (2013: nil) was written off the Office's accounts receivable ledger under the authority of:

The Accountable Authority	1	–
	<u>1</u>	<u>–</u>

The write-off related to overpaid salary paid to an ex-employee who terminated at short notice. All attempts to recover the overpaid amount were unsuccessful.

(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>

(b) Gifts of public property

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

Certification of Key Performance Indicators for the year ended 30 June 2014

I hereby certify that the key 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 2014.



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
4 August 2014

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 compared to targets, and the following categories of matters about which Parliament has been informed:

- Service delivery – reports tabled
- Economic development – reports tabled
- Social and environment – reports tabled
- Governance – reports tabled

Table 19 shows our actual result for the preceding four years, and our performance against the 2013-14 target.

A crucial element of this key performance indicator is the establishment of a three year target for each category of report. The current target over three years encompasses the financial years 2012-13 to 2014-15. 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 Actual	2013-14 Actual	2013-14 Target	Target over 3 years
Service Delivery	3	2	4	4	5	5	13
Economic Development	2	1	1	2	4	3	8
Social and Environment	1	2	2	3	2	4	9
Governance	14	10	17	15	15	13	45
Year Total	20	15	24	24	26	25	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.

Key Efficiency Performance Indicators

The key efficiency performance indicators measure the overall efficiency in delivering the Office's service 'Public Sector Auditing'. The Office is responsible for undertaking the external audit of the Western Australian public sector. This is done through audits of controls, financial statements, performance indicators, efficiency, effectiveness and reporting the results to Parliament.

Our key efficiency performance indicators are:

- Total audit cost per million dollars of gross government expenditure
- Attest (financial) 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 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 total public sector expenditure is considered a reasonable estimate of actual total public sector 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 financial and performance audits is based on recorded direct hours charged to audits and an activity based allocation of Office overhead.

Efficiency Indicator	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2013-14 Target
Total audit cost per million dollars of gross government expenditure	\$519	\$509	\$516	\$497	\$472	\$482
Attest (financial) audit cost per million dollars of gross government expenditure	\$389	\$382	\$387	\$373	\$355	\$337
Performance audit cost per million dollars of gross government expenditure	\$130	\$127	\$129	\$124	\$117	\$145

Table 20

The decrease in total audit costs per million dollars of gross government expenditure in 2013-14 compared with the prior year arose because the Office's expenditure increased at a lower proportional rate than government expenditure. Office expenditure increased by 3.9 per cent during 2013-14, compared to government expenditure which increased by 9.6 per cent.

The 2013-14 targets for the financial and performance audit costs were based on an Office strategy of increasing performance audit effort to 30 per cent of overall audit effort (in 2012-13 the target was 25%). However, this desired increase in performance audit effort was not achieved. The actual result was 75.2% financial audit : 24.8% performance audit.

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. However, our fees also incorporate a loading to recover one third of our narrow scope performance audits, the focus of which is on governance and has a strong relevance to financial accountability.

The fees are based on the hours required to undertake 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.

Employees

The profile of the Office is shown in table 21.

	At 30 June 2013	At 30 June 2014
Full time permanent employees	108	115
Full time contract employees	17	12
Part time employees	18	18
Part time contract employees	4	5
Secondees into the Office	2	3
Total	149	153

Table 21

Full employee disclosures are outlined in the 'Our People' section of this report commencing on page 58.

Capital works

During 2013-14 we continued our ongoing asset replacement program and made some significant technological advancements which will deliver benefits to the business particularly in the areas of access to accurate and live key decision-making information.

Capital projects this year included:

- Programed Laptop Replacement (\$283 506).
- Storage Array Network – replacing obsolete hardware with a larger capacity, higher performing Storage Array Network, improving system performance and resilience (\$166 557).
- Server – replacing obsolete hardware with higher performing server blades and a larger capacity tape drive subsystem to improve system throughput and backup capabilities (\$96 542).
- Software Upgrades – capitalising on prior software investments made by the OAG and catering for increased growth in server virtualisation and end-user requirements (\$40 568).
- New Software – including licences for the OAG's new automated business process system, as well as additional security tools and a financial analysis package (\$44 109).
- Professional Services – including development of the SmartStream Financials Dashboard and implementation of Microsoft's Lync instant messaging and presence system (\$65 464).

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 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

Disability Access and Inclusion Plan

The Office of the Auditor General is committed to ensuring that people with disability 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).

Our current DAIP is valid until 2016, however we are in the process of updating the plan to include information about how we will improve employment opportunities for people with disability to meet the outcome: *People with disability have the same opportunity as others people to obtain and maintain employment with a public authority.*

This process will include consulting with people with disability, their families and carers and disability organisations to provide us with the opportunity to examine our existing strategies and put new strategies into place to ensure that barriers to access and inclusion are addressed.

Our Plan ensures that people with disability, their families and carers are able to access our services and facilities, providing them with the same opportunities, rights and responsibilities enjoyed by all.

Our current plan outlines a suite of strategies to enable us to achieve six outcomes during the life of the five year plan. Our progress is reported to the Disability Services Commission annually and is presented to staff and the Executive Management Group throughout the year.

The table below shows the number of strategies planned against each outcome and the number completed (including ongoing strategies).

Outcome		Strategies planned	Strategies completed
Outcome 1	People with disability have the same opportunities as other people to access the services of, and any events organised by, the Office.	5	5
Outcome 2	People with disability have the same opportunities as other people to access the buildings and other facilities of the Office.	4	3
Outcome 3	People with disability 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.	6	6
Outcome 4	People with disability receive the same level and quality of service from our employees as other people.	3	3
Outcome 5	People with disability have the same opportunities as other people to make complaints to the Office.	2	2
Outcome 6	People with disability have the same opportunities as other people to participate in any public consultation we may carry out.	1	1

Table 22

Expenditure on advertising

In accordance with s175ZE of the *Electoral Act 1907*, the Office incurred the following expenditure in recruitment advertising, conducting of surveys and our contribution to the benchmarking survey of the Australasian Council of Auditors-General. The total expenditure for 2013-14 was \$88 655.

	Total \$ (ex GST)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Advertising agencies					
Adcorp Marketing non-staff	4 411	5 143	525	690	–
Adcorp Marketing staff vacancies	–	–	6 126	10 061	2 175
Big Red Sky Ltd	704	–	–	–	–
Market research organisations					
Orima Research Pty Ltd	50 224	51 069	54 526	61 265	86 480
Total	55 339	56 212	61 177	72 016	88 655

Table 23

Compliance with public sector standards and ethical codes

The Office has procedures and policies in place designed to ensure compliance with public sector standards, public sector code of ethics and public sector standards in human resource management. In addition, our internal code of conduct specifies appropriate standards of employee behaviour, with direct relevance to the Office's unique role and responsibilities. Staff members must also adhere to requirements imposed upon professional auditors.

Measures we use to inform our employees of these standards and requirements include providing information to new employees as part of the induction process, publishing the documentation on our intranet and regular information sharing sessions for all employees.

In addition, a Human Resources representative participates in our recruitment and selection processes, providing advice, support and guidance particularly in relation to the Public Sector human resource standards. Our correspondence to all applicants includes details on how to access the Public Sector Standards and all recruitment and appointment processes are independently reviewed to ensure compliance.

This year two applications for breach of standards were lodged. One of these pertained to performance management and was subsequently withdrawn, and the second related to grievance resolution and is still under review.

Further information relating to our code of conduct is on page 64 of this report and the learning and professional development section on pages 58 and 59 details the training provided to staff in this area.

Records management

In 2013, as part of our recordkeeping practices, we resubmitted our Recordkeeping Plan to the State Records Office. A significant enhancement from our previous plan was the inclusion of additional recordkeeping requirements for contracts negotiated with our outsourced service providers.

The amended Plan was approved by the State Records Commission in December 2013, who noted that:

“The Plan demonstrates significant progress towards better practice recordkeeping and compliance with the minimum requirements of SRC Standard 2: Recordkeeping Plans and SRC Standard 6: Outsourcing.”

Our plan also acknowledges our responsibility to ensure all employees are aware of their compliance responsibilities and provided with training in these areas. We achieve this through a range of tools including:

- Requiring all employees to complete a mandatory online Recordkeeping Awareness Training program.
- Presenting informative ‘EDRMS and general Recordkeeping Tips and Tricks’ sessions presented by Information Management staff each month at staff professional development presentations.
- Specific graduate induction training at the commencement of each year that is specifically targeted at their role and use of the records management system.
- Focus groups presented as required for small groups, individual business units or individual employees throughout the year.

In addition to training for all existing employees, particular focus and effort is required to inform new employees of the compliance requirements and their personal responsibilities. This is achieved through our induction process. The induction training includes sharing information on records management policies, procedures and responsibilities, as well as training in the use of the Office’s electronic document and records management system (EDRMS).

To complement our formal instructor-led training, a new initiative this year was the development of a range of interactive online multimedia training presentations and quick reference guidebooks. Employees have indicated that both these new resources are proving to be helpful in understanding their responsibilities.

This year we have extended our Service Request Tracking software to include requests for information management and recordkeeping assistance. This software allows us to track and report on common issues across the office and this in turn assists us to determine what topics should be the focus of our whole of Office training sessions.

Increasing employees’ awareness of their recordkeeping responsibilities and acceptance of our records management systems and procedures is a key deliverable of Business Services. Our comprehensive recordkeeping training program is subject to periodic reviews of its efficiency, effectiveness and currency by the professional development committee.

Our approach to records management and the efficiency and effectiveness of our recordkeeping systems was part of the Office internal audit program this year. As part of the audit, some recommendations for improvement were made which we are currently addressing.

Government Policy Requirements

Occupational safety and health and injury management

Our Executive Management Group is committed to providing and maintaining a safe and healthy work environment and acknowledges the responsibilities under the *Occupational Safety and Health Act 1984* and the *Workers' Compensation and Injury Management Act 1981*.

Our Audit and Risk Management Committee assumes responsibility for addressing occupational safety and health (OSH) matters; however all employees share the responsibility for workplace safety and health. Our employees are encouraged to be proactive in identifying OSH issues and a range of avenues exist for employees to report matters including through the Office Consultative Committee, the Human Resources branch, or directly with their manager or supervisor. During the year we appointed and fully trained a second OSH representative for our Office.

All new employees receive information on our OSH policies and procedures as well as instruction on their obligations and responsibilities under the OSH and injury management policies as part of the induction process. Our OSH documentation including our OSH policy, our management of Ill or Injured Workers policy, Workers Compensation Guides and our Injury Management and Return to Work Program is available on our intranet.

Our Injury Management policy outlines the steps to be taken to assist a worker to return to work following a work related injury or illness including seeking expert assistance as required to develop effective return to work plans for individuals. The focus of this policy is to achieve a safe and early return to meaningful work in accordance with the *Workers' Compensation and Injury Management Act 1981*.

All employees are registered for online OSH and injury management training which includes two modules; one for all employees and a second one specifically for managers. Successful completion of the training is monitored and reported to the Executive Management Group, allowing us to identify specific areas where further training is required.

An internal assessment of our OSH practices in 2011 identified two areas for improvement which have since been addressed.

Table 24 shows our performance in 2013-14 against the targets set out in the Public Sector Commissioner's Circular 2012-05.

Measure	2011-12 ¹	2013-14	Target
Number of fatalities	0	0	0
Lost time injury and/or diseases incident rate ³	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:			Greater than or equal to 80%
i. within 13 weeks	n/a	n/a	
ii. within 26 weeks	n/a	n/a	
Percentage of managers trained in occupational safety, health and injury management responsibilities	60%	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 (i.e. current year is 2013-14; comparative year is 2011-12).

2 The reduction is calculated over a three year period.

3 The lost time injury/disease incidence rate is the number of lost time injuries/diseases where one day or more was lost in the financial year per 100 employees.

Appendices



Our strategic progress	120-123
Audit clients	124-125
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Our Strategic Progress

Below are further details of our key result areas (KRAs) as outlined on page 19.

Key

- Satisfactory level obtained to date – ongoing measures in place
- Work is being performed in this area but improvement required
- ◆ Significant improvement required

KRA 1 Our Clients	Our clients are Parliament, government agencies and the community of Western Australia. We continue to maintain our independence to ensure our credibility. We strive to add value to Parliament and client agencies	
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	Effective Communications Strategy and internet development project	●
Strategy 1.1.4	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 the 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	●
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	■
Objective 1.4	Quality relationships with 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 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 and universities	
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	●
Strategy 1.6.2	Liaison with universities to ensure that the OAG performance and outcomes is strategic and contemporary	●

KRA 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	
Objective 2.1	The Auditor General has confidence in every audit report	
Strategy 2.1.1	An effective TAQ Business Unit	●
Strategy 2.1.2	An effective Quality Assurance Plan	●
Strategy 2.1.3	An effective Quality Framework	●
Objective 2.2	Reports and opinions that lead to improved public sector performance and accountability and are readily accessible to all potential users	
Strategy 2.2.1	Enhance processes to ensure the Office is aware of emerging issues in public sector administration	●
Strategy 2.2.2	We seek input into our topic selection process from stakeholders in line with our independence mandate	●
Strategy 2.2.3	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 2.2.4	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 2.3	Completion of audits of the financial statements of client agencies in accordance with auditing and professional standards	
Strategy 2.3.1	Maintain a contemporary auditing approach that efficiently delivers high quality audit work compliant with auditing, ethical and professional standards	■
Strategy 2.3.2	Continuous improvement of our quality assurance processes to enable audit methodologies and quality control systems to exceed standards and statutory requirements	●
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	●

KRA 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	
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	●
Strategy 3.1.4	Ensure staff have the skills and ability to effectively communicate OAG role and tasks with client agencies	●
Strategy 3.1.5	Assessment of 'motivational fit' by staff survey	●
Objective 3.2	Build the capacity of the staff of the Office	
Strategy 3.2.1	Investment in organisational capability that will give the Office a long term benefit	●
Strategy 3.2.2	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	■
Objective 3.3	Career progression is valued and supported at the OAG	
Strategy 3.3.1	A Performance Development Review Framework that supports employees in career progression and responds to the evolving expectations of our workforce	●
Strategy 3.3.2	Staff to demonstrate their required competency and believe that they can meet their capability within their job description form and PDR process	●
Strategy 3.3.3	Develop and communicate a succession plan so that employees understand where the leadership team will come from	●
Objective 3.4	A working environment that is recognised has a 'Workplace of Choice' where people choose to work	
Strategy 3.4.1	Recognised Employer Programs for CPA, ICAA and other member organisations	●
Strategy 3.4.2	Attract external people to our Office	●
Objective 3.5	Service Level Agreements for each business unit which has divisional objectives, strategies, tasks, targets and timeframes	
Strategy 3.5.1	Service level agreement for each business unit	●
Objective 3.6	Supporting a safe and healthy workplace	
Strategy 3.6.1	An active OSH function at the OAG	●
Strategy 3.6.2	Hours of staff are monitored to ensure that the allocation of work is correct and to encourage work life balance	●

KRA 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	
Objective 4.1	Business innovation which is able to respond effectively to future demands and requirements	
Strategy 4.1.1	Encourage innovate approaches in our planning and business practices	●
Objective 4.2	Efficient and effective office operations that meet our business needs	
Strategy 4.2.1	Time, effort and resources are shifted to things that matter to help us achieve our business goals	●
Strategy 4.2.2	Keep our business operations lean and straight forward while recognising broader information risks and reporting responsibilities	●
Objective 4.3	Respond effectively to changes in our environment	
Strategy 4.3.1	Continually review and improve our corporate governance and risk management framework and processes	●
Strategy 4.3.2	Maintain a strategic focus that recognises changes and facilitate a timely and appropriate response	●
Strategy 4.3.3	Develop an effective Business Continuity Management Plan that allows the business to plan for and respond to any business interruptions caused by incidents, events or crises	●
Objective 4.4	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 4.4.1	Perform zero based budgeting for significant items within the financial statements	●
Strategy 4.4.2	Accurate budgeting process when compared to actual	●
Strategy 4.4.3	A robust, transparent and sustainable audit fee setting policy that is fair and equitable and shows full cost recovery	●
Strategy 4.4.4	ACAG Quality Assurance review – Section 1 and 2	●
Strategy 4.4.5	Robust internal audit program with recommendations implemented on a timely basis	●
Strategy 4.4.6	Robust external audit program with recommendations implemented on a timely basis	●
Objective 4.5	Sound information systems to support the operational needs	
Strategy 4.5.1	Analyse optimum IT strategy that provides cost benefit	●
Strategy 4.5.2	Implement ITC strategic framework as part of a robust capital funding plan that addresses operational and strategic initiatives	●
Strategy 4.5.3	Active IT committee	●
Strategy 4.5.4	Reduce reliance upon IT systems provided by external service providers	■
Objective 4.6	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 4.6.1	Corporate Social Responsibility Policy	●
Strategy 4.6.2	Green Team responsible for assisting our Office consider the environment in decisions that we make	●
Strategy 4.6.3	Understand the carbon tax and the impact on the audit plan for the Office	●

Audit Clients at 30 June 2014

Audits under *Financial Management Act 2006*

Departments

Commissioner for Equal Opportunity
Department for Child Protection and Family Support
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 Regulation
Department of Finance
Department of Fire and Emergency Services
Department of Fisheries
Department of Health
Department of Housing
Department of Lands
Department of Local Government and Communities
Department of Mines and Petroleum
Department of Parks and Wildlife
Department of Parliamentary Services
Department of Planning
Department of Racing, Gaming and Liquor

Department of Regional Development
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 the Commissioner for Children and Young People
Office of the Director of Public Prosecutions
Office of the Environmental Protection Authority
Office of the Information Commissioner
Office of the Inspector of Custodial Services
Parliamentary Commissioner for Administrative Investigations
Public Sector Commission
Western Australia 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
Combat Sports Commission
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
Gold Corporation
Goldfields-Esperance Development Commission

Goldfields Institute of Technology
Government Employees Superannuation Board
Great Southern Development Commission
Great Southern Institute of Technology
Health and Disability Services Complaints Office
Heritage Council of Western Australia
Housing Authority
Insurance Commission of Western Australia
Keep Australia Beautiful Council (WA)
Kimberley Development Commission
Kimberley Training Institute
Landcare Trust
Law Reform Commission of Western Australia
Legal Aid Commission of Western Australia
Legal Contribution Trust
Legal Costs Committee
Local Health Authorities Analytical Committee
Lotteries Commission
Metropolitan Cemeteries Board
Metropolitan Redevelopment Authority
Mid West Development Commission
Minerals and Energy Research Institute of Western Australia (until 31/1/2014)
Minerals Research Institute of Western Australia (from 1/2/2014)
Murdoch University
Parliamentary Inspector of the Corruption and Crime Commission
Peel Development Commission

Perth Market Authority
 Perth Theatre Trust
 Pilbara Development Commission
 Pilbara Institute
 Polytechnic West
 Potato Marketing Corporation of Western Australia
 Professional Standards Council
 Public Transport Authority of Western Australia
 Public Trustee
 Quadriplegic Centre Board
 Racing and Wagering Western Australia
 Racing Penalties Appeal Tribunal of Western Australia
 Rottneest Island Authority
 Rural Business Development Corporation
 School Curriculum and Standards Authority
 ScreenWest Inc
 Small Business Development Corporation
 South West Development Commission
 South West Institute of Technology
 State Supply Commission
 Swan Bells Foundation Inc
 Swan River Trust
 The Aboriginal Affairs Planning Authority
 The Anzac Day Trust
 The Board of the Art Gallery of Western Australia
 The Burswood Park Board
 The Coal Miners' Welfare Board of Western Australia
 The Library Board of Western Australia

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

Subsidiaries

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
 UWA Accommodation Services Pty Ltd

Request audits

Perth USAsia Centre Pty Ltd
 South West Cogeneration Joint Venture
 South West Hub Joint Venture
 South West Hub Pty Ltd
 Tertiary Institutions Service Centre (Inc)

Audits under other legislation

Cemeteries

Albany Cemetery Board
 Bunbury Cemetery Board
 Chowrup 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
 Water Corporation
 Western Australian Land Authority
 Western Power – Networks

Glossary

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

Accrual Accounting provides information on the effects of transactions and other events when they occur rather than when cash or its equivalent is received or paid, and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

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 where the assurance practitioner directly evaluates or measures an entity's activities and expresses a conclusion in a written 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 final 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 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.

A Follow-up Audit reviews the extent to which recommendations from the previous performance audit have been implemented, generally three to five years after tabling.

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 non public sector 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 audit findings and results 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 affect the economic decisions of users of the information or the discharge of accountability by senior management.

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.

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Our History

Over 180 years of audit in Western Australia

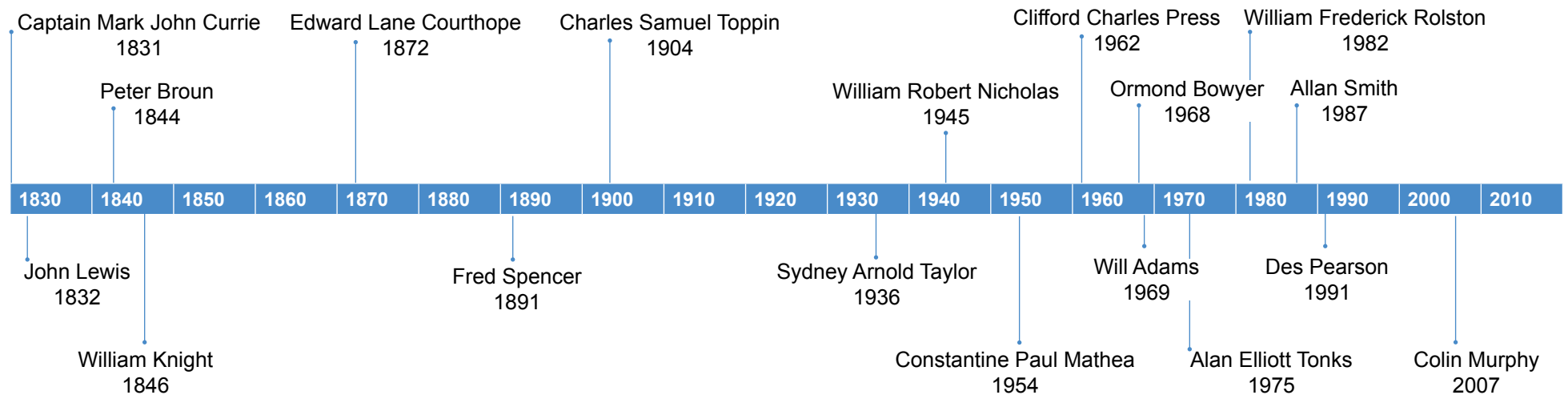
The origins of the Office of the Auditor General for Western Australia herald back to the first months of settlement of the Swan River colony in 1829. Captain Stirling formed in May (before even landing) 'a Board of Counsel and Audit in the management of the property of the Crown, and of public property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

Western Australia has had 18 Auditors General.





Office of the Auditor General for Western Australia

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to:

Perth BC, PO Box 8489
Perth WA 6849

T: 08 6557 7500 | F: 08 6557 7600

E: info@audit.wa.gov.au | W: www.audit.wa.gov.au



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