

**41ST PARLIAMENT**



## **Report 89**

# **STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS**

*Consideration of the 2021-22 Annual Reports*

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Presented by  
Hon Peter Collier MLC (Chair)

June 2023

## **Standing Committee on Estimates and Financial Operations**

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## **Government response**

This report is subject to Standing Order 191(1):

Where a report recommends action by, or seeks a response from, the Government, the responsible Minister or Leader of the House shall provide its response to the Council within not more than 2 months or at the earliest opportunity after that time if the Council is adjourned or in recess.

The two-month period commences on the date of tabling.

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## EXECUTIVE SUMMARY

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- 1 This report concludes the Standing Committee on Estimates and Financial Operations' (Committee) consideration of the 2021-22 annual reports.
- 2 The Committee examined the overall spending from the Consolidated Account, and the operations of 10 agencies in detail and other agencies as required.
- 3 In the course of this inquiry, the Committee:
  - compared the overall expected and actual spend from the Consolidated Account
  - reviewed resourcing and non-financial performance of selected agencies
  - highlighted the increasing level of qualified audit opinions and questioned qualified entities on how these matters will be addressed
  - explained how annual reports can be used to assess the financial performance of agencies over the year, and identified issues in selected agencies
  - followed-up on matters from previous reports, including outstanding Statements of Corporate Intent, the use of the higher than expected surplus in 2020-21, and overdrawn special purpose accounts.
- 4 This report also reflects on whether the Committee's capacity to scrutinise was impacted by the quality, quantity and timely provision of information. The Committee was impacted by the late tabling of the annual reports for the Department of Communities and the Department of Planning, Lands and Heritage. Other issues, such as errors in annual reports and the number of occasions when the Minister decided not to provide information to the Committee, did not adversely affect the Committee's capacity to scrutinise the annual reports.
- 5 The Committee made 9 recommendations, of which 6 aim to improve the quality of information contained in the annual reports. The others relate to the tabling of annual reports, errata and notices of non-provision of information.
- 6 The Committee considers the process provided an appropriate level of scrutiny of the 2021-22 annual reports.

## Findings and recommendations

Findings and recommendations are grouped as they appear in the text at the page number indicated:

### RECOMMENDATION 1

Page 14

The Treasurer direct the Department of Treasury to amend *Treasurer's Instruction 945: Explanatory Statement* to require accountable authorities to disclose the source of annual estimates that are stated in annual reports.

**RECOMMENDATION 2**

Page 15

The Treasurer direct the Department of Treasury to amend *Treasurer's Instruction 945: Explanatory Statement* to require accountable authorities to disclose whether and why an annual estimate published in the annual report differs from the previously published estimate.

**FINDING 1**

Page 17

The summary of Consolidated Account appropriations in the 2021-22 annual reports for the Department of Biodiversity, Conservation and Attractions and the Department of Communities did not allocate the entire amount of appropriations to the department, contrary to Department of Treasury guidelines.

**RECOMMENDATION 3**

Page 17

The Minister for Environment; Climate Action, as the coordinating Minister for the Department of Biodiversity, Conservation and Attractions, direct the Department to ensure that the summary of Consolidated Account appropriations in its annual report complies with the Department of Treasury's guidelines.

**RECOMMENDATION 4**

Page 17

The Minister for Housing; Homelessness, as the coordinating Minister for the Department of Communities, direct the Department to ensure that the summary of Consolidated Account appropriations in its annual report complies with the Department of Treasury's guidelines.

**FINDING 2**

Page 18

Due to circumstances relating to the sale of the WA TAB, the 2022-23 Statement of Corporate Intent for Racing and Wagering Western Australia was not tabled in Parliament prior to that reporting period and is unlikely to be tabled during 2022-23.

**FINDING 3**

Page 21

The Committee's preparations for hearings with the Department of Communities and the Department of Planning, Lands and Heritage were impacted by the late tabling of their annual reports.

**RECOMMENDATION 5**

Page 23

The Treasurer consider amending the alternate tabling provisions in the *Financial Management Act 2006* to allow annual reports to be deemed tabled on non-sitting days.

**FINDING 4**

Page 24

The Committee benefitted from the additional notices of late tabling for 2021-22 annual reports tabled by relevant Ministers.



**FINDING 5**

Page 27

The Committee's consideration of the 2021-22 annual reports was not adversely affected by restated 2020-21 data in the financial statements of the Child and Adolescent Health Services and the Department of Treasury.

**FINDING 6**

Page 28

The Committee's consideration of the 2021-22 annual reports was not adversely affected by the errors found in the examined annual reports. However, the errors were unhelpful to the process.

**RECOMMENDATION 6**

Page 28

Ministers responsible for agencies listed in Appendix 2 should table errata in the Parliament as soon as possible.

**FINDING 7**

Page 30

The Committee's consideration of the 2021-22 annual reports was not adversely affected by errata tabled for certain annual reports.

**RECOMMENDATION 7**

Page 31

The Treasurer direct the Department of Treasury to remind accountable authorities that statements of compliance should be prepared and properly dated.

**RECOMMENDATION 8**

Page 32

The Treasurer direct the Department of Treasury to examine the best method to indicate clearly in an annual report whether a key performance target has been met. Once that method has been determined, it should be incorporated into the Model Annual Reports contained in the *Financial Administration Bookcase*.

**FINDING 8**

Page 34

The Committee's consideration of the 2021-22 annual reports was not adversely affected by Ministers' decisions to not provide certain information.

**RECOMMENDATION 9**

Page 34

The Treasurer and the Minister for Energy; Corrective Services notify the Parliament and Auditor General of their decisions to not provide certain information to the Committee.



# 1 Introduction

- 1.1 The Legislative Council Standing Committee on Estimates and Financial Operations (Committee) is required to 'consider and report on ... the estimates of expenditure laid before the Council each year ... [and] any matter relating to the financial administration of the State'.<sup>1</sup> This report concludes the Committee's consideration of the 2021-22 annual reports, which were tabled in the Legislative Council from 20 September 2022.
- 1.2 Annual reports complete the budget cycle that commenced with the appropriation bills and budget papers. Where the budget papers show what the agency intends to achieve in a given year (both on financial and non-financial grounds), the annual reports show how the agency actually performed in that year. The President and/or Ministers tabled a whole-of-government report – the *2021-22 Annual Report on State Finances* – and 125 individual annual reports, covering 129 entities,<sup>2</sup> in the Legislative Council. As at 14 June 2023, the Western Australian Greyhound Racing Association annual report is yet to be tabled.

## 2 Performance in 2021-22

### Overall financial performance

- 2.1 The Committee has focussed on the intended and actual spending from the Consolidated Account. Financial performance for the whole-of-government accounts is covered in the *Annual Report on State Finances*.
- 2.2 The 2021-22 Budget was structured around the following four Government goals:
- Growing our communities: Protecting our environment with thriving suburbs and regions
  - Safe, strong and fair communities: Developing healthy and resilient communities
  - Strong and sustainable finances: Responsible, achievable, affordable service delivery
  - WA Jobs Plan: Local manufacturing and production, creating WA jobs and training for the jobs of the future.
- All agencies contributed to at least one goal and some contributed to more than one.
- 2.3 The Parliament approved the Government's request to spend \$32.6 billion from the Consolidated Account to implement its budget.<sup>3</sup> The 2021-22 Budget noted that a further

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<sup>1</sup> Legislative Council Standing Orders Schedule 1 cl 3.3(a)(i)–(ii).

<sup>2</sup> The Department of Planning, Lands and Heritage; Aboriginal Affairs Planning Authority; Heritage Council of Western Australia and the Western Australian Planning Commission had a combined annual report, and the Metropolitan Redevelopment Authority and Western Australian Land Authority had a combined annual report (presented as DevelopmentWA).

<sup>3</sup> The Appropriation (Recurrent 2021-22) Bill 2021 and Appropriation (Capital 2021-22) Bill 2021 received Royal Assent on 3 December 2021. The bills identified 150 items of spending, of which 89 were for recurrent purposes and 61 for capital purposes.

\$3.4 billion would be spent under the authority of other statutes<sup>4</sup> and up to \$820.5 million<sup>5</sup> could be spent under the Treasurer's Advance arrangements.<sup>6</sup>

- 2.4 The Government later sought, and received, Parliament's approval to increase the Treasurer's Advance limit from \$820.5 million to \$2.3 billion to finance additional spending not otherwise included in the original request for funds.<sup>7</sup>
- 2.5 The Government spent \$36.9 billion from the Consolidated Account in 2021-22, \$928.8 million more than expected at the time of the 2021-22 Budget. Table 1 sets out the 2021-22 Budget estimate against actual spending, with the 2020-21 result shown for comparative purposes.

Table 1. *Consolidated Account total expenditure*

	2020-21 Actual \$m	2021-22 Budget \$m	2021-22 Actual \$m	2021-22 Variation \$m
Total expenditure	30,229	36,004	36,933	929
<i>Comprising:</i>				
Appropriation Acts				
<i>Appropriation (Recurrent 2021-22) Act 2021</i>	22,536	23,809	23,234	-575
<i>Appropriation (Capital 2021-22) Act 2021</i>	3,858	8,775	8,532	-243
Sub-total	26,394	32,583	31,766	-817
Authorised by other statutes				
Treasurer's Advance	979	0	1,614	1,614
Other statutes	2,855	3,421	3,553	132
Sub-total	3,834	3,421	5,167	1,746

[Source: Government of Western Australia, *2021-22 Annual Report on State Finances*, September 2022, p 229 & Government of Western Australia, *Western Australia State Budget 2021-22, Budget Statements*, budget paper no. 2, volume 1, 9 September 2021, pp 16–17.]

\* Columns/rows may not add up due to rounding.

- 2.6 The less than expected spend under the *Appropriation (Recurrent 2021-22) Act 2021* occurred in the following areas:
- Department of Finance administered grants, subsidies and other transfer payments (down \$234.1 million), due to the 'combined impact of delays in the construction sector

<sup>4</sup> Some Acts provide for the automatic appropriation of funds from the Consolidated Account for a specific purpose. (Government of Western Australia (Govt), *Western Australia State Budget 2021-22, Budget Statements*, budget paper no. 2, 9 September 2021, pp 16–17).

<sup>5</sup> The Treasurer's Advance limit is automatically set at 3% of the total amount appropriated for the previous financial year (*Financial Management Act 2006* s 29).

<sup>6</sup> The Government may supplement existing appropriation items or create new items under the Treasurer's Advance arrangements. The Treasurer and the Governor, on the recommendation of the Treasurer, may authorise expenditure from the Consolidated Account for matters not factored into the original Appropriations Acts (*Financial Management Act 2006* ss 27(1)–(2)). Any spending from the Consolidated Account under these arrangements is automatically appropriated (*Financial Management Act 2006* s 27(3)).

<sup>7</sup> The Treasurer's Advance Authorisation Bill 2022 received Royal Assent on 14 April 2022.

impacting on some applicants' ability to qualify for the housing grant payments in 2022 and a lower than expected number of applications for the Small Business Electricity Credit'.<sup>8</sup>

- Department of Treasury administered payments for the Perth City Deal (down \$100 million) and recurrent Royalties for Regions (down \$69.7 million).<sup>9</sup>
- 2.7 The less than expected spend under the *Appropriation (Capital 2021-22) Act 2021* occurred in the METRONET projects under development (down \$66.6 million) and Department of Communities (down \$58.1 million).<sup>10</sup>
- 2.8 The Government spent \$1.6 billion under the Treasurer's Advance arrangements, with:
- an increase in 33 items for recurrent purposes (mainly WA Health; Department of Communities; and the Department of Treasury (administered))<sup>11</sup>
  - an increase in 11 items for capital purposes (mainly WA Health)<sup>12</sup>
  - 4 new capital items.<sup>13</sup>
- 2.9 Table 1 on page 2 shows the spending under the Treasurer's Advance arrangements exceeded the less than expected spending under the Appropriation Acts. Actual spending authorised by other statutes outside the Treasurer's Advance arrangements were \$132 million higher than expected, underpinned by higher spending under the *Criminal Injuries Compensation Act 2003* (up \$65.8 million) and the *Lotteries Commission Act 1990* (up \$41.9 million).<sup>14</sup>

## Agencies in detail

2.10 The Committee examined the following agencies in detail:

- Child and Adolescent Health Service
- Commissioner of Main Roads
- Department of Biodiversity, Conservation and Attractions
- Department of Communities<sup>15</sup>
- Department of Justice<sup>16</sup>
- Department of Planning, Lands and Heritage
- Department of Transport
- Department of Treasury

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<sup>8</sup> Department of Finance (Finance), *Annual Report 2021-22*, 21 September 2022, p 135.

<sup>9</sup> Department of Treasury (Treasury), *Annual Report 2021-22*, 14 September 2022, p 50. The 2022-23 Budget anticipated no appropriations for the Perth City Deal in 2021-22, with \$99 million now appropriated to 2022-23 (Govt, *Western Australia State Budget 2022-23, Budget Statements*, budget paper no. 2, volume 1, 12 May 2022, p 131).

<sup>10</sup> Hon Mark McGowan MLA, Premier; Treasurer, Department of Treasury, letter, 20 October 2022, Attachment 1.

<sup>11</sup> Govt, *2021-22 Annual Report on State Finances*, 27 September 2022, pp 233-4.

<sup>12</sup> Govt, *2021-22 Annual Report on State Finances*, 27 September 2022, pp 234.

<sup>13</sup> Govt, *2021-22 Annual Report on State Finances*, 27 September 2022, pp 234. These were for the Water Corporation of Western Australia (\$22.9 million); Forest Products Commission (\$14.3 million); Bunbury Water Corporation (\$10.2 million) and Mid West Ports Authority (\$3.0 million).

<sup>14</sup> Hon Mark McGowan MLA, Premier; Treasurer, Department of Treasury, letter, 20 October 2022, Attachment 1.

<sup>15</sup> The Committee examined the Child Protection portfolio at the hearing.

<sup>16</sup> The Committee examined the Corrective Services portfolio at the hearing.

- Public Transport Authority of Western Australia
  - Synergy.
- 2.11 The Committee intended to meet with the Department of Fire and Emergency Services on 22 February 2023. The Commissioner requested the hearing be 'deferred to May 2023 – after the current high threat period which runs until April 2023'.<sup>17</sup> As the Committee could not accommodate that request, it will now meet with the Department as part of its consideration of the 2023-24 Budget estimates.
- 2.12 In 2021-22, these agencies collectively received \$13.3 billion<sup>18</sup> in appropriations from the Consolidated Account and reported against:
- 32 desired outcomes
  - 48 services
  - 133 key effectiveness indicators
  - 83 key efficiency indicators<sup>19</sup>
  - 7 other key performance indicators.<sup>20</sup>

### **Agency resourcing**

- 2.13 The financial statements show whether the agency received sufficient resources to cover the full cost of delivering services<sup>21</sup> and sufficient cash to fund the combined impact of operating, investing and financing payments.<sup>22</sup> In addition, the notes to the financial statements may show whether the agency received its full allocation of appropriation funding and/or received supplementary funding.
- 2.14 The annual reports show that, in 2021-22:
- 5 agencies had sufficient resources to cover the full cost of service delivery<sup>23</sup>
  - 7 agencies did not need to draw on cash assets to fund activities<sup>24</sup>
  - 5 agencies received supplementary funding (see Appendix 1).

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<sup>17</sup> Darren Klemm, Commissioner, Department of Fire and Emergency Services, letter, 1 February 2023.

<sup>18</sup> Committee calculation based on data contained in the summary of Consolidated Account appropriations table in each annual report.

<sup>19</sup> Committee calculation based on data contained in the key performance information in each annual report (except Synergy).

<sup>20</sup> Synergy does not separate its performance indicators into effectiveness or efficiency indicators.

<sup>21</sup> The 'surplus/(deficit) for the period' aggregate on the statement of comprehensive income shows whether own-source income and income from Government is sufficient to offset the total cost of services. The statement of comprehensive income includes non-cash expenses.

<sup>22</sup> The 'net increase/(decrease) in cash and cash equivalents' aggregate on the statement of cash flows shows whether cash inflows exceeds cash outflows. Cash balances increase when cash inflows exceed outflows, and vice versa.

<sup>23</sup> These were the Commissioner of Main Roads; Department of Biodiversity, Conservation and Attractions; Department of Planning, Lands and Heritage; Department of Transport; and Department of Treasury.

<sup>24</sup> These were the Department of Biodiversity, Conservation and Attractions; Department of Communities; Department of Justice; Department of Planning, Lands and Heritage; Department of Transport; Department of Treasury; and Synergy.

- 2.15 The Department of Justice had an operating deficit of \$449.3 million in 2021-22, which was not anticipated in the original budget or the 2022-23 Budget. The Department recognised an obligation under the National Redress Scheme for the first time, and noted:

For the 2022 financial year the Department has engaged an independent actuarial expert to develop an estimated amount to be provisioned for future claims within the scheme. This has resulted in the recognition for the first time of a provision for incurred but not yet reported (IBNR) claims resulting in the recognition of an allowance of \$472.6m. In previous years it was determined that a reliable estimate of this provision could not be made based on the available information at that time and was consequently previously reported as a contingent liability at 30 June 2021. The calculation has considered an estimation of the number of redress participants, an estimation of the average payment amounts and the discounting of the related future cash flows to present value at a risk-free market rate.<sup>25</sup>

- 2.16 The Department also recognised a contingent liability for the National Redress Scheme for the expanded 'funder of last resort' arrangements, whereby 'government institutions with no shared responsibility with a defunct institution may agree to take on the defunct institution's redress payments.'<sup>26</sup>
- 2.17 The Commissioner of Main Roads had a significant turnaround in its cash position, which was expected to grow by \$46.6 million at budget-time. It declined by \$100.8 million at year-end, reflecting stronger than expected capital spending.<sup>27</sup>
- 2.18 The Department of Treasury received less than its authorised recurrent and capital appropriations for controlled operations<sup>28</sup> and the Department of Transport received less than its authorised recurrent appropriation.<sup>29</sup> The Committee is unable to determine whether the Department of Biodiversity, Conservation and Attractions or the Department of Communities received their full appropriation allocations (see paragraphs 4.15–4.18).
- 2.19 A table that shows the agencies that received supplementary funding and the reason is contained in Appendix 1.

### Key performance indicators

- 2.20 Table 3 shows how these agencies performed against their key effectiveness and efficiency indicators in 2021-22. Synergy does not separate its performance indicators into effectiveness or efficiency indicators. The Department of Treasury no longer reports on its efficiency<sup>30</sup> and the Commissioner of Main Roads had one effectiveness indicator marked 'n/a'.<sup>31</sup>

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<sup>25</sup> Department of Justice (Justice), *Annual Report 2021/22*, 14 September 2022, p 151.

<sup>26</sup> Justice, *Annual Report 2021/22*, 14 September 2022, p 161.

<sup>27</sup> Commissioner of Main Roads (Main Roads), *Annual Report 2022*, 29 August 2022, p 167.

<sup>28</sup> Treasury, *Annual Report 2021-22*, 14 September 2022, p 49.

<sup>29</sup> Department of Transport (Transport), *Annual Report 2021-22*, 20 September 2022, p 108.

<sup>30</sup> The Treasurer advised the Committee the '[r]eader can assess the Department of Treasury's efficiency based on whether it operates within its expense limit' (Answer to additional question 18 asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 16 December 2022, p 19).

<sup>31</sup> The Commissioner of Main Roads' effectiveness indicator on 'smooth travel exposure' is n/a, as it surveys the network every two years and 2021-22 is a non-reporting year (Main Roads, *Annual Report 2021-22*, September 2022, p 115).

Table 2. *Performance against key performance indicators, agencies examined in detail, 2021-22*

	Key effectiveness indicators		Key efficiency indicators		Other key performance indicators	
	Met	Total	Met	Total	Met	Total
Child and Adolescent Health Service	6	10	0	6	n/a	n/a
Commissioner of Main Roads	9	16	4	10	n/a	n/a
Department of Biodiversity, Conservation and Attractions	3	7	5	7	n/a	n/a
Department of Communities	5	11	2	12	n/a	n/a
Department of Justice	7	25	15	25	n/a	n/a
Department of Planning, Lands and Heritage	7	10	4	5	n/a	n/a
Department of Transport	5	9	7	9	n/a	n/a
Department of Treasury	5	9	n/a	n/a	n/a	n/a
Public Transport Authority of Western Australia	17	36	1	9	n/a	n/a
Synergy	n/a	n/a	n/a	n/a	4	7
<b>Total</b>	<b>64</b>	<b>133</b>	<b>38</b>	<b>83</b>	<b>4</b>	<b>7</b>

[Source: Various annual reports]

- 2.21 The data shows that less than half of the effectiveness and efficiency indicators were met in 2021-22. Synergy met over half of its key performance indicators.

### 3 Financial administration in agencies

- 3.1 The Auditor General is required to form an opinion on the financial statements, controls and key performance indicators of agencies that prepare annual reports under the *Financial Management Act 2006*<sup>32</sup> and the financial statements of other entities under their enabling legislation. An opinion is qualified if the Auditor General identifies substantive issues in these areas.
- 3.2 For the 2021-22 reporting period, the Auditor General qualified 24 entities, covering 43 matters.<sup>33</sup> This is the highest number of qualified entities and matters in 10 years

<sup>32</sup> *Auditor General Act 2006* s 15(3).

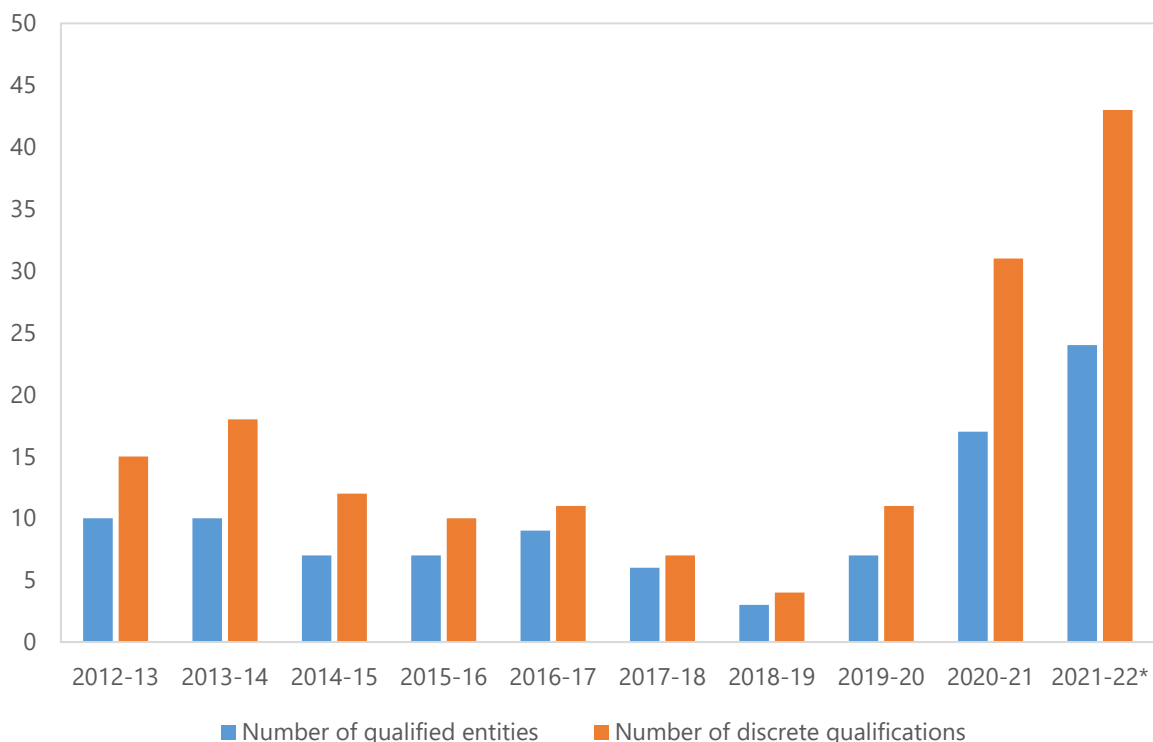
<sup>33</sup> The Auditor General also dispensed with the audits of the Animal Resources Authority, the Western Australian Building Management Authority and the nine regional development commissions (Office of the Auditor General (OAG), *Financial Audits Results – State Government 2021-22*, 22 December 2022, p 21). The Auditor General may dispense with the audit of an agency in a given year, but may not dispense an agency audit for 3 consecutive years (*Auditor General Act 2006* ss 14(2) & 14(5)).



(see Figure 1). Concerningly, 19 matters within 12 entities carried over from 2020-21,<sup>34</sup> and 8 entities had more than one qualification.<sup>35</sup>

- 3.3 On a positive note, the Public Transport Authority of Western Australia, Quadriplegic Centre, Racing and Wagering Western Australia and Western Australian Sports Centre Trust were no longer qualified in their 2021-22 annual report.

Figure 1. *Number of qualified entities and matters, 2012-13 to 2021-22, as at 14 June 2023*



[Source: Office of the Auditor General, *Financial Audit Results – State Government 2021-22*, Report 12, 22 December 2022, p 17 & Committee data for 2021-22.]

\* Includes qualifications issued after the Auditor General's Financial Audit Results report was released.

- 3.4 The following table shows the qualified agencies and matters.

Table 3. *Qualified audits, by agency and matter, 2021-22, as at 14 June 2023*

Agency	Type	Area/s of concern
Building and Construction Industry Training Board	Controls	IT systems; procurement
Corruption and Crime Commission*	Controls	Payroll

<sup>34</sup> The following entities had qualified audit opinions in 2020-21 – Building and Construction Industry Training Board; Corruption and Crime Commission; Department of Communities; Department of Health; Department of Local Government, Sport and Cultural Industries; Department of Primary Industries and Regional Development; Disability Services Commission; East Metropolitan Health Service; Gaming and Wagering Commission; Housing Authority; North Metropolitan Health Service; PathWest Laboratory Medicine; Public Transport Authority; Quadriplegic Centre; Racing and Wagering Western Australia; and Western Australian Sports Centre Trust.

<sup>35</sup> The following entities had more than one qualification – Building and Construction Industry Training Board (2); Corruption and Crime Commission (2); Department of Communities (4); Department of Local Government, Sport and Cultural Industries (5); Department of Planning, Lands and Heritage (3); Department of Primary Industries and Regional Development (3); Disability Services Commission (4); and Housing Authority (4).

Agency	Type	Area/s of concern
	Key performance indicators	Insufficient evidence for the 'percentage of assessments completed within 28 days' key efficiency indicator
Department of Biodiversity, Conservation and Attractions	Controls	Procurement
Department of Communities	Financial statements	Classification of cash/restricted cash
	Controls	Cash management; IT systems; payroll
Department of Finance	Controls	Inventory management
Department of Health	Controls	IT systems
Department of Justice	Controls	Payroll
Department of Local Government, Sport and Cultural Industries	Financial statements	Taxation – Casino Tax
	Controls	Taxation – Casino Tax; procurement; payroll; IT systems
Department of Planning, Lands and Heritage*	Financial statements	Unreconciled movement in administered income and expenses; land at fair value (administered assets and liabilities)
	Controls	Annual reconciliation of administered lands
Department of Primary Industries and Regional Development*	Controls	Cash management; payroll; general computer controls
Disability Services Commission	Financial statements	Overpayments to the Department of Communities
	Controls	Cash management; IT systems; payroll
East Metropolitan Health Service	Controls	IT systems
Gaming and Wagering Commission	Controls	Racing Bets Levy
Health Support Services	Controls	Inventory management
Housing Authority	Financial statements	Overpayments to the Department of Communities
	Controls	Cash management; IT systems; payroll
Lotteries Commission	Controls	IT systems
North Metropolitan Health Service	Controls	IT systems
PathWest Laboratory Medicine WA	Controls	IT systems

Agency	Type	Area/s of concern
Public Trustee	Controls	Payroll
South Metropolitan Health Service	Controls	IT systems
State Solicitor's Office	Controls	Payroll
WA Country Health Service	Controls	IT systems
Western Australian Health Promotion Foundation	Controls	IT systems
Western Australia Police Force	Controls	IT systems

[Source: Office of the Auditor General, *Financial Audit Results – State Government 2021-22*, Report 12, 22 December 2022, pp 76-81; Corruption and Crime Commission, *Annual Report 2021-22*, 15 February 2023, pp 44-6; Department of Planning, Lands and Heritage, *Annual Report 2021-22*, March 2023, pp 99 & 101; & Department of Primary Industries and Regional Development, *Annual Report 2021/22*, undated, pp 66-7.]

\* The audit opinion for these entities was issued after the Auditor General's Financial Audit Results report was released.

### 3.5 The Auditor General reflected on the state of agencies in this audit round:

The increase in audit qualifications appears to be a consequence of diverted attention in agencies in recent years, compounded by a current shortage of skilled finance and IT professionals available to address audit findings. Concerningly, the percentage of audit findings remaining unresolved from the prior year increased to 38% (Figure 6), and a fifth of entities were very late with their audit preparedness (Figure 3). We also found a concerning drop in the quality of information provided for audit purposes, with supporting evidence or key reconciliations incomplete or absent in too many entities, and errors in financial statements. Accountable authorities need to ensure that their finance teams are appropriately resourced to ensure that they are audit ready within agreed timeframes. It was evident that in some entities the finance teams are under-resourced and inexperienced, reflecting a skills gap in the foundations of sound financial management for our sector. This increases audit timeframes and costs, as well as frustration for both my auditors and entity finance staff due to additional audit requests, procedures and deliberations. It was particularly concerning to see an increase in payroll weaknesses in 2021-22. In periods where the workforce is less centralised, with some people still working from home, strong payroll controls are more important than ever to ensure accurate payments are made to current staff and leave transactions are properly recorded.

While we acknowledge that staff illness and vacancies provided challenges for this year's reporting season, this alone does not fully explain the decline in financial control and reporting performance for the sector. To rectify the adverse trends we have identified, there will need to be determined commitment across the sector, and an understanding that sloppiness around key controls within our public sector framework is not acceptable in the administration of public finances.<sup>36</sup>

For six entities, the delays in receiving financial statements and supporting working papers were so significant that we took the difficult decisions to withdraw from the audit and delay further work to a later period (five of these remain outstanding as

<sup>36</sup> OAG, *Financial Audit Results – State Government 2021-22*, Report 12, 22 December 2022, p 7.

of the date of this report). This is consistent with the Auditor General's correspondence to all entities in February 2022.<sup>37</sup>

3.6 The Auditor General made a number of recommendations in the Financial Audit Results report to improve financial administration in agencies.

3.7 The Committee sought information from the Treasurer on the general efforts to reduce qualified opinions. The Treasurer advised:

The Department of Treasury (Treasury) continues to provide strong support to agencies in building financial management capability across the public sector, including:

- recent financial management reforms aimed at ensuring that agency financial management practices and internal controls are more robust. These include amendments to Treasurer's instructions (TI) such as TI 304 to strengthen the segregation of duties with respect to the payment authorisation process and TI 1201 to reinforce the importance of independence to the effectiveness of an agency's internal audit function;
- maintaining the Financial Administration Bookcase on Treasury's website as a significant resource for agencies, which comprises a compendium of legislation, regulations, Treasurer's instructions, accounting guidelines and model annual reports;
- hosting communities of practice for Chief Finance Officers (CFO) and their finance teams with biannual CFO Forums and webinars presenting financial reporting updates, guidance and other relevant matters;
- providing targeted training through eLearn modules and case studies to enhance understanding of financial management principles and the Budget process;
- in consultation with the Public Sector Commission, exploring strategies to elevate the role of the CFO in order to attract a high performing cohort of CFOs into the sector; and
- undertaking targeted campaigns to attract high calibre accounting graduates to the sector.<sup>38</sup>

3.8 The Committee also sought information from all qualified agencies on the circumstances that led to the qualification and how the matter will be addressed. The Committee was generally satisfied with the responses. Many of the affected agencies appeared to have accepted the qualifications and have either addressed the matters or are working towards resolving them. Responses received are available from the Committee website.<sup>39</sup>

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<sup>37</sup> OAG, *Financial Audit Results – State Government 2021–22*, Report 12, 22 December 2022, p 23.

<sup>38</sup> Answer to additional question 3 asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 8 December 2022, p 3.

<sup>39</sup> The Department of Communities response is contained in answers to Committee additional questions 5 and 7, and the Department of Planning, Lands and Heritage qualification was discussed at the hearing (Department of Planning, Lands and Heritage, *transcript of evidence*, 29 March 2023, pp 12–14).

3.9 The response relating to the Building and Construction Industry Training Board was comprehensive. The Minister for Education advised:

The Board has taken the following actions to address the control deficiencies:

- management engaged professional services to address IT system configuration to enforce segregation of duties for the finance and payroll functions
- operational processes and policy documents have been developed and updated to ensure staff are aware of key processes
- all general journals and bank reconciliations are now prepared by the Finance Officer and independently reviewed by the Accountant and Chief Finance Officer
- mandatory purchase orders have been implemented as of 1 January 2022, with system controls and procedures implemented to detect and prevent instances where the receiving and incurring function have been performed by the officer.

All but one of the Auditor General's recommendations have been implemented by the Board, with the outstanding recommendation to be implemented by 31 December 2022.<sup>40</sup>

3.10 The Board subsequently advised that it was unable to fully implement the outstanding recommendation, which is now expected to be addressed by 30 June 2023.<sup>41</sup>

3.11 The response regarding the Western Australia Police Force was less helpful as it paraphrased what was said in the annual report. Fortunately, the Minister for Police indicated the reported weakness was 'resolved on 13 May 2022 by enabling native, system-based logging. This system remains in place and is periodically monitored.'<sup>42</sup>

3.12 The response in relation to the Department of Finance's qualification was less emphatic, stating:

Finance will review the RAT's [Rapid Antigen Tests] inventory management and distribution process to identify where improvements to future inventory management controls can be made. If Finance is involved in similar projects in the future, it will remain focussed on timely action in response to Government's requests that seek to achieve the best health outcomes for the community. Finance will seek to achieve improvements in inventory management controls including the development of an inventory management policy should the need arise.<sup>43</sup>

3.13 The Committee is pleased to learn that many agencies are acting on qualified matters and looks forward to seeing whether those actions are sufficient to have the qualifications removed in the 2022-23 annual reporting period.

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<sup>40</sup> Hon Sue Ellery MLC, Minister for Education and Training, Building and Construction Industry Training Board, letter, 1 December 2022, pp 1-2.

<sup>41</sup> Kerrie Prior, Executive & HR Officer, Building and Construction Industry Training Board, email, 17 May 2023.

<sup>42</sup> Hon Paul Paplia MLA, Minister for Police, Western Australia Police Force, letter, 1 December 2022, p 1.

<sup>43</sup> Hon Sue Ellery MLC, Minister for Finance, Department of Finance, letter, 22 December 2022, p 2.

## 4 Assessing financial performance over the year

- 4.1 The notes to the financial statements may contain two sets of tables that allow readers to assess how an agency has performed financially over the reporting period. The first set of tables – the explanatory statements – highlight and explain major variations in financial data and the second is the summary of Consolidated Account appropriations.
- 4.2 The Committee examined whether the information presented in these tables matched the data published elsewhere. The Committee found many instances where the data did not match, and these inconsistencies may impact on the reader's confidence in the data presented. The data may differ for the following reasons:
- the agency is part of a consolidated entity at budget-time<sup>44</sup>
  - the original estimate has been recast to improve comparability with the actual result<sup>45</sup>
  - the data is grouped in one publication, but not in the other.<sup>46</sup>
- 4.3 Agencies that are consolidated with others at budget-time are required to prepare separate estimates for the budget year as a standalone entity. These estimates are called 'section 40 estimates' and are prepared in accordance with *Treasurer's instruction 953: Annual Estimates*. These estimates are required to be published on the entity's website.

### Explanatory statements

- 4.4 Accountable authorities of certain entities<sup>47</sup> are required to publish tables that show the original (or annual) estimate, the actual for the reporting year and the actual for the previous reporting year for each financial statement, and explain major variations between these periods. The 2021-22 annual reports explain major variations between the:
- 2022 estimate and the 2022 actual
  - 2021 and 2022 actuals.
- 4.5 In this context, 'annual estimates' is defined as:
- (a) estimates published in the budget papers; or
  - (b) estimates published in accordance with Treasurer's instruction 953 *Annual Estimates*; or
  - (c) estimates published in the statement of corporate intent (or business/operational plan) of a statutory authority.<sup>48</sup>

A 'major variation' is defined as:

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<sup>44</sup> At budget-time, the Child and Adolescent Health Service is part of 'WA Health', the Department of Biodiversity, Conservation and Attractions comprises the Department; Botanic Gardens and Parks Authority; Rottnest Island Authority; and the Zoological Parks Authority, and the Department of Communities comprises the Department; Disability Services Commission; and the Housing Authority.

<sup>45</sup> For example, the accounting treatment of a particular transaction changed or the agency was affected by a machinery of government change.

<sup>46</sup> For example, the budget papers show Royalties for Regions revenues/receipts by sub-Fund, while the annual reports show a single line for Royalties for Regions.

<sup>47</sup> Any general government sector agency that prepares annual estimates and the Public Transport Authority of Western Australia (Treasury, *Treasurer's instruction 945: Explanatory Statement*, Financial Administration Bookcase (No. 90), 18 November 2022, p 1).

<sup>48</sup> Treasury, *Treasurer's instruction 945: Explanatory Statement*, Financial Administration Bookcase (No. 90), 18 November 2022, p 1.

- (a) [a situation] where quantitative evidence indicates [that the] omission of narrative disclosure could potentially mislead readers of the financial statements; or
- (b) [a] narrative disclosure [that] is required under a written law; or
- (c) greater than 10% and greater than a dollar aggregate of;
  - (aa) 1% of Total Cost of Services, when comparing variances of income and expense line items. Variances relating to changes in asset revaluation surplus are excluded from the definition of major variance for disclosure purposes; or
  - (bb) 1% of Total Cost of Services, when comparing variances of cash flow line items not substantially explained elsewhere in other narrative disclosures; or
  - (cc) 1% of Total Assets, when comparing variances of asset, liability and equity line items. Variances relating to cash assets, receivables, payables, contributed equity, accumulated surplus and asset revaluation surplus are excluded from the definition of major variances for disclosure purposes;

The dollar aggregate calculated from the Total Cost of Services and Total Assets is to be based on the estimate or the prior period actual, as appropriate.

- (d) for a department's administered income and expenses, greater than 10% and greater than a dollar aggregate of 1% of Total Administered Income.

The dollar aggregate calculated from Total Administered Income is to be based on the estimate or the prior period actual, as appropriate.<sup>49</sup>

4.6 The Committee compared the 2022 estimates as stated in the 2021-22 annual reports against the 2022 estimates contained in the 2021-22 Budget or prepared as part of the section 40 estimates process (for agencies consolidated at budget-time). In most cases, the 2022 estimates stated in each publication should be identical. The Committee found that:

- the Department of Planning, Lands and Heritage had no differences between the estimates contained in the 2021-22 Budget and the annual report, although some aggregation of various financial categories was required
- the Child and Adolescent Health Service and the Department of Treasury each had minor differences in its original estimates and the estimates contained in its annual report
- the Department of Communities did not use its section 40 estimate in its annual report<sup>50</sup>
- other entities had multiple differences in either financial totals or sub-categories (for example, see Table 4).

4.7 Readers would benefit from knowing whether the estimate published in the annual report was sourced from the budget papers, the section 40 estimates process, or elsewhere (as was the case for the Department of Communities).

<sup>49</sup> Treasury, *Treasurer's instruction 945: Explanatory Statement*, Financial Administration Bookcase (No. 90), 18 November 2022, pp 1–2.

<sup>50</sup> The Minister advised '[t]he difference relates to the treatment of intra-agency eliminations between the Department of Communities, the Housing Authority and the Disability Services Commission' and provided data on those eliminations (Answer to additional question 4 asked by the Committee and answered by Hon Sabine Winton MLA, Minister for Early Childhood Education; Child Protection; Prevention of Family and Domestic Violence; Community Services, 2 February 2023, pp 4–7).

## RECOMMENDATION 1

The Treasurer direct the Department of Treasury to amend *Treasurer's Instruction 945: Explanatory Statement* to require accountable authorities to disclose the source of annual estimates that are stated in annual reports.

- 4.8 The following table presents spending estimates for the Commissioner of Main Roads, as contained in the 2021-22 Budget and the 2021-22 annual report.

Table 4. *Estimates of expenses, Commissioner of Main Roads, 2021-22*

Category	2021-22 Budget Papers \$'000	2021-22 Annual Report \$'000	Variation \$'000
Expenses			
Employee benefits expenses	71,548	69,927	-1,621
Supplies and services	506,181	544,737	38,556
Depreciation and amortisation	443,291	n/a	
Depreciation and impairment expenses of infrastructure assets	n/a	434,679	
Depreciation, amortisation and impairment expenses – other	n/a	4,149	
Depreciation and impairment expenses – right-of-use assets	n/a	4,463	0
Finance and interest cost	277	277	0
Grants and subsidies	307,089	307,089	0
Accommodation	19,327	n/a	-19,327
Other expenses	29,009	11,404	-17,605
<b>Total cost of services</b>	<b>1,376,722</b>	<b>1,376,722</b>	<b>0</b>

[Source: Government of Western Australia, *Western Australia State Budget 2021-22 Budget, Budget Statements*, budget paper no. 2, volume 2, 9 September 2021, p 615 & Commissioner of Main Roads, *Annual Report 2021-22*, September 2022, p 165.]

- 4.9 The data shows that:

- estimates of the total cost of services, finance and interest costs, and grants and subsidies are the same between the two publications
- the sum of the individual estimates of depreciation in the annual report match the estimate in the budget
- there was no separate estimate for accommodation in the annual report
- there are differences between the estimates for employee benefit expenses, supplies and services, and other expenses.



- 4.10 The Committee sought an explanation on 'how and why [the financial data] differ for each affected category'. The Minister advised:

All category totals match between the Main Roads Annual Report and State Budget Papers. There can be variances within those categories. The Annual Report, in general, provides a greater level of detail.<sup>51</sup>

The Minister's answer did not explain how and why 2022 estimate differed between the 2021-22 Budget and the 2021-22 annual report.

- 4.11 Readers would have greater confidence in annual estimates data if it is consistent between publications or the differences are made explicit.

## RECOMMENDATION 2

The Treasurer direct the Department of Treasury to amend *Treasurer's Instruction 945: Explanatory Statement* to require accountable authorities to disclose whether and why an annual estimate published in the annual report differs from the previously published estimate.

## Summary of Consolidated Account appropriations

- 4.12 Australian Accounting Standards require 'government departments and other public sector entities that obtain part or all of their spending authority from a parliamentary appropriation' to disclose a summary of those payments.<sup>52</sup> The format for the table is set out in the Model Annual Reports.

- 4.13 The Model Annual Reports for both Tier 1 and Tier 2 agencies state that:

Statutory authorities that receive their funding as a grant from a department under an agreement (e.g. service agreement, or delivery and performance agreement) are not required to present the summary.

Where a department and statutory authorities form a single Division of the Consolidated Account Expenditure Estimates, the department prepares the summary and includes both controlled appropriations and administered appropriations passed through the department to the statutory authorities.<sup>53</sup>

- 4.14 The Committee identified a number of issues with the summary tables:

- The Department of Biodiversity, Conservation and Attractions; Department of Communities and the Department of Justice received more appropriations than was authorised in their revised budget (discussed at paragraphs 4.15–4.18)
- The Department of Biodiversity, Conservation and Attractions and the Department of Communities did not reflect that they should receive the entire authorised appropriation (discussed at paragraph 4.19)
- Some entities used the wrong item number for itemed appropriations (listed in Appendix 2).

<sup>51</sup> Answer to additional question 2 (Commissioner of Main Roads) asked by the Committee and answered by Hon Rita Saffioti MLA, Minister for Transport, 3 January 2023, p 3.

<sup>52</sup> Australian Accounting Standards Board, *AASB 1058: Income of Not-for-Profit Entities*, Compilation 4, accessed 21 April 2023, p 8.

<sup>53</sup> Treasury, *Illustrative Model Annual Report – Tier 1 Agency – For the year ended 30 June 2022*, Financial Administration Bookcase (No. 90), 18 November 2022, p 52 & Treasury, *Model Annual Report – Tier 2 (Simplified Disclosures) Agency – For the year ended 31 December 2022*, Financial Administration Bookcase (No. 90), 18 November 2022, p 48.

### **Agencies seemingly received more appropriations than the revised budget**

- 4.15 The summary of Consolidated Account appropriations in the Department of Biodiversity, Conservation and Attractions' 2021-22 annual report suggests that the Department received \$24.2 million more in its recurrent appropriation (item 84) than was authorised in the 2022 Revised Budget.<sup>54</sup> The Minister advised that:

The 2022 Actual includes appropriations for the statutory authorities.

The 2022 Estimate refers to the Department's (excluding Zoological Parks Authority, Botanic Gardens and Parks Authority and Rottnest Island Authority) budget estimates approved under section 40 of the Financial Management Act 2006. Treatment is consistent with previous audited annual reports and is part of the simplified budget reporting process adopted for the DBCA [Department of Biodiversity, Conservation and Attractions] group.<sup>55</sup>

- 4.16 While this practice of reporting a mix of aggregated and individualised appropriations may not be new, it is misleading, leaving the reader unable to compare the estimated and actual appropriations columns. This practice is also inconsistent with the Department of Treasury's guidance notes in the Model Annual Reports.
- 4.17 The summary of Consolidated Account appropriations in the Department of Communities' 2021-22 annual report suggests the Department received \$46.3 million more in its recurrent appropriation (item 69) and \$5.2 million more in its capital appropriation (item 136) than was authorised in the 2022 Revised Budget.<sup>56</sup> The Minister advised that:

The budget estimate column reflects the original budget as per the published budget papers. The variance currently stated in Table 32 should have been stated in the supplementary funding column. The revised budget column will then be the sum of the first two columns and there the variance column will become nil.

The Department of Communities notes this error.<sup>57</sup>

- 4.18 This answer suggests the Department received supplementary funding for its recurrent and capital appropriation, which was not consistent with other public data. The Minister later advised that the Department did not receive supplementary funding for capital appropriations.<sup>58</sup>

### **Appropriations for consolidated entities**

- 4.19 As noted in the quote in paragraph 4.13, entities consolidated at budget-time should record the entire allocation of appropriations to the department. The Department of Biodiversity, Conservation and Attractions did not include appropriations to statutory authorities in its budget estimate, but included statutory authorities in the actual (see paragraph 4.15). The Department of Communities and its statutory authorities – the Disability Services

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<sup>54</sup> Department of Biodiversity, Conservation and Attractions (DBCA), *Annual Report 2021-22*, September 2022, p 89. The revised budget is the sum of the original budget appropriation and any supplementary funding.

<sup>55</sup> Answer to additional question 6 asked by the Committee and answered by Hon Reece Whitby MLA, Minister for Environment; Climate Action, 22 November 2022, p 3.

<sup>56</sup> Department of Communities (Communities), *Annual Report 2021-22*, 16 November 2022, p 70.

<sup>57</sup> Answer to additional question 2 asked by the Committee and answered by Hon Sabine Winton MLA, Minister for Early Childhood Education; Child Protection; Prevention of Family and Domestic Violence; Community Services, 2 February 2023, p 2.

<sup>58</sup> Hon John Carey MLA, Minister for Housing; Homelessness, Department of Communities, letter, 5 May 2023, p 2.

Commission and the Housing Authority – produced individual summary of Consolidated Account appropriations tables.<sup>59</sup>

#### **FINDING 1**

The summary of Consolidated Account appropriations in the 2021-22 annual reports for the Department of Biodiversity, Conservation and Attractions and the Department of Communities did not allocate the entire amount of appropriations to the department, contrary to Department of Treasury guidelines.

#### **RECOMMENDATION 3**

The Minister for Environment; Climate Action, as the coordinating Minister for the Department of Biodiversity, Conservation and Attractions, direct the Department to ensure that the summary of Consolidated Account appropriations in its annual report complies with the Department of Treasury's guidelines.

#### **RECOMMENDATION 4**

The Minister for Housing; Homelessness, as the coordinating Minister for the Department of Communities, direct the Department to ensure that the summary of Consolidated Account appropriations in its annual report complies with the Department of Treasury's guidelines.

## **5 Follow-up on previous matters**

### **2022-23 Statements of Corporate Intent**

- 5.1 Statements of Corporate Intent (SCI) are important accountability documents that set out the financial and non-financial performance targets for the relevant financial year for the 21 statutory authorities that are required to prepare them.<sup>60</sup> The Committee considered late tabling of these documents in Parliament in Reports 77 and 80.
- 5.2 As accountability documents, it is preferable for SCIs to be tabled prior to the start of the financial year. Ten SCIs were tabled by 30 June 2022 and a further 9 were tabled by 14 July 2022, with the SCIs for the Western Australian Treasury Corporation and Racing and Wagering Western Australia not tabled. The Committee followed-up with relevant Ministers, who advised the:
  - Western Australian Treasury Corporation SCI will be tabled when 'Parliament resumes in early August'.<sup>61</sup> It was tabled on 9 August 2022.

<sup>59</sup> The Committee then compared the sum of the individual agencies to the consolidated data contained in the 2021-22 Budget and provided by the Treasurer, and found a number of discrepancies. These are disclosed in Appendix 2.

<sup>60</sup> The following entities are required to prepare Statements of Corporate Intent – Bunbury Water Corporation; Busselton Water Corporation; Chemistry Centre (WA); Forest Products Commission; Fremantle Port Authority; Gold Corporation; Government Employees Superannuation Board; Horizon Power; Insurance Commission of Western Australia; Kimberley Port Authority; Lotteries Commission; Mid West Ports Authority; Pilbara Ports Authority; Racing and Wagering Western Australia; Southern Ports Authority; Synergy; Water Corporation; Western Australian Land Authority; Western Australian Land Information Authority; Western Australian Treasury Corporation; and Western Power.

<sup>61</sup> Hon Mark McGowan MLA, Premier; Treasurer, Western Australian Treasury Corporation, letter, 11 July 2022.

- Racing and Wagering Western Australia SCI is 'anticipated ... [to] be tabled in 2023, when it is expected the WA TAB [Totalisator Agency Board] sale process will be resolved.'<sup>62</sup>
- 5.3 With the Government's decision to terminate the sale process for the WA TAB in November 2022, the Committee sought the Minister's view on when the SCI would be tabled. The Minister advised it:
- cannot be tabled in Parliament until the Minister has agreed to the SDP [Strategic Development Plan], which cannot occur until concurrence from the Treasurer.<sup>63</sup>
- 5.4 The Minister also advised the previous Minister received the draft Strategic Development Plan on 21 December 2021.

## **FINDING 2**

Due to circumstances relating to the sale of the WA TAB, the 2022-23 Statement of Corporate Intent for Racing and Wagering Western Australia was not tabled in Parliament prior to that reporting period and is unlikely to be tabled during 2022-23.

## **Application of higher operating surpluses**

- 5.5 The Government allocated some of the revenues from the higher than expected operating surplus in 2020-21 to specific initiatives and certain special purpose accounts. The *Appropriation (Capital 2021-22) Act 2021* allocated funds to the following special purpose accounts:
- Women's and Babies' Hospital Account (\$1.8 billion)<sup>64</sup>
  - Social Housing Investment Fund (\$750 million)<sup>65</sup>
  - Digital Capability Fund (\$500 million)<sup>66</sup>
  - Softwood Plantation Expansion Fund (\$350 million)<sup>67</sup>
  - Climate Action Fund (\$168 million).<sup>68</sup>
- 5.6 The appropriated funds were fully allocated to the relevant special purpose accounts in 2021-22.<sup>69</sup> However, the actual payments from those special purpose accounts did not meet budget expectations (see the following table).

<sup>62</sup> Hon Dr Tony Buti MLA, Minister for Racing and Gaming, Racing and Wagering Western Australia, letter, 16 August 2022.

<sup>63</sup> Hon Reece Whitby MLA, Minister for Racing and Gaming, Racing and Wagering Western Australia, letter, 31 March 2023, p 2.

<sup>64</sup> *Appropriation (Capital 2021-22) Act 2021* Sch 1 (Item 116).

<sup>65</sup> *Appropriation (Capital 2021-22) Act 2021* Sch 1 (Item 114).

<sup>66</sup> *Appropriation (Capital 2021-22) Act 2021* Sch 1 (Item 113).

<sup>67</sup> *Appropriation (Capital 2021-22) Act 2021* Sch 1 (Item 115).

<sup>68</sup> *Appropriation (Capital 2021-22) Act 2021* Sch 1 (Item 112).

<sup>69</sup> Treasury, *Annual Report 2021-22*, 14 September 2022, pp 81-2.

Table 5. *Expected and actual payments from selected special purpose accounts at 30 June 2022*

	<b>2021-22 Budget</b>	<b>2021-22 Estimated Actual</b>	<b>2021-22 Actual</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Climate Action Fund	2	4	1
Digital Capability Fund	36	79	73
Social Housing Investment Fund	129	123	0
Softwood Plantation Expansion Fund	11	11	0
Women's and Babies' Hospital Account	0	2	0
<i>Total</i>	<i>178</i>	<i>219</i>	<i>74</i>

[Source: Government of Western Australia, *Western Australia State Budget 2021-22, Economic and Fiscal Outlook*, budget paper no. 3, 9 September 2021, pp 265, 276, 272 & 275; Government of Western Australia, *Western Australia State Budget 2022-23, Economic and Fiscal Outlook*, budget paper no. 3, 12 May 2022, pp 282-3, 286 & 289; and Government of Western Australia, *2021-22 Annual Report on State Finances*, 27 September 2022, pp 206-7, 212 & 215.]

- 5.7 The 2021-22 Budget indicated the Government expected to spend \$220.3 million from these accounts in 2021-22, of which \$178 million had been allocated from these accounts directly and a further \$42.3 million was held as a whole-of-government provision.<sup>70</sup> Provisions exist when the Government knows how much it intends to spend, but is yet to decide where it will be spent. As these decisions are made, the amount held in the provision declines and the expected spend from the account increases.<sup>71</sup>
- 5.8 Of the \$220.3 million intended to be spent at budget-time, only \$74 million was spent in 2021-22, with expected payments from the Social Housing Investment Fund and the Softwood Plantation Expansion Fund not occurring. The Housing Authority did not need to access the Social Housing Investment Fund due to underspends in its various housing programs and was able to use existing cash balances to progress works undertaken in 2021-22.<sup>72</sup> It is not clear why the Forest Products Commission did not receive funds from the Softwood Plantation Expansion Fund.<sup>73</sup>

## Overdrawn special purpose accounts

- 5.9 In Report 86, the Committee reflected on the Student Residential Colleges Fund being overdrawn in 2019-20. The Fund is an agency special purpose account, and special purpose accounts may not be overdrawn without the prior approval of the Treasurer.<sup>74</sup>

<sup>70</sup> The provision comprised unallocated spending from the Climate Account Fund of \$2.0 million, Digital Capability Fund of \$34.8 million and Social Housing Investment Fund of \$5.5 million (Standing Committee on Estimates and Financial Operations, report 85, *Consideration of the 2021-22 Budget Estimates*, Western Australia, Legislative Council, November 2021, p 8 & Government of Western Australia, *Western Australia State Budget 2021-22, Economic and Fiscal Outlook*, budget paper no. 3, 9 September 2021, pp 158 & 205).

<sup>71</sup> The increase in spending from the Digital Capability Fund between the 2021-22 Budget and the 2021-22 estimated actual can be partly accounted for the decline in the amount held in the provision for that fund, which had been entirely removed by the time of the 2021-22 mid-year review (Govt, *Government Mid-year Financial Projections Statement 2021-22*, 16 December 2022, p 123).

<sup>72</sup> Housing Authority (Housing), *Annual Report 2021-22*, 28 November 2022, p 186.

<sup>73</sup> Although the Forest Products Commission did not receive funds from the Softwood Plantation Expansion Fund, it received additional funds in 2021-22 arising from the decision to cease native forest logging (Forest Products Commission, *Annual Report 2021-2022*, 2 September 2022, p 77).

<sup>74</sup> *Financial Management Act 2006* s 19(1).

The Committee identified another overdrawn special purpose account – the Receipts in Suspense/Clearing Account,<sup>75</sup> which had a negative balance of \$530,000 at 1 July 2020.

- 5.10 The Committee asked the Treasurer whether the Department of Treasury had sought his prior approval to overdraw the account. The Treasurer advised:

The COVID-19 lockdown resulted in a significant fall in the number of cars parked in the Central Business District. This unprecedented situation resulted in an unexpected overdrawn account due to the value of the Perth Parking Levy refunds exceeding the value of receipts received.

The overdrawn balance was temporary, with a positive balance restored on 8 July 2020, shortly after the reporting date.

The Treasurer's prior approval was not sought as the overdrawn account was not expected. The Department of Treasury has since implemented additional balance checks and controls to improve monitoring of the account.<sup>76</sup>

- 5.11 The Committee notes that the accountable authority of the Department of Treasury did not obtain the authority of the Treasurer to overdraw the Fund, as required under the *Financial Management Act 2006*, and the Department of Treasury has implemented new procedures to monitor the account.
- 5.12 The Committee will continue to look for overdrawn special purpose accounts in annual reports.

## 6 Observations on 2021-22 annual reports

- 6.1 Annual reports are important accountability documents, through which the reader can assess how an agency has performed over the year. The Committee identified a number of issues with the 2021-22 annual reports.

### Timeliness of annual reports

- 6.2 The Committee notes that the majority of annual reports were tabled in September 2022. However, 10 agencies had annual reports tabled in 2023 – 6 months after the reporting period concluded – and the Western Australian Greyhound Racing Association annual report is yet to be tabled.
- 6.3 The Committee expected some annual reports to be delayed, as the Auditor General had deferred the audits of 11 entities.<sup>77</sup> The Auditor General advised that her office aimed to finalise the audits of the Office of the Inspector of Custodial Services and the School Curriculum Standards Authority by no later than 30 September 2022, and 31 October 2022 for the remaining entities.<sup>78</sup>

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<sup>75</sup> The purpose of this Account is to 'receive and hold moneys for disbursement in accordance with relevant agreements; and/or receive and hold moneys pending proper identification/classification and subsequent transfer' (Treasury, *Annual Report 2021-22*, 14 September 2022, p 77).

<sup>76</sup> Answer to additional question 15 asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 16 December 2022, p 16.

<sup>77</sup> The deferred entities were the Combat Sports Commission; Corruption and Crime Commission; Department of the Legislative Assembly; Department of the Legislative Council; Gaming and Wagering Commission of Western Australia; Governor's Establishment; Office of the Inspector of Custodial Services; Parliamentary Services Department; Racing Penalties Appeal Tribunal of Western Australia; School Curriculum and Standards Authority; and the Western Australian Electoral Commission.

<sup>78</sup> OAG, *Financial Audit Results – State Government 2021-22*, Report 12, 22 December 2022, p 21.

- 6.4 The Committee's preparation for hearings was impacted by the late tabling of two annual reports:
- The Committee met with the Department of Communities on 23 November 2022. The annual report, which was expected to be tabled on 20 October 2022, was not tabled until 17 November 2022.
  - The Committee rescheduled its hearing with the Department of Planning, Lands and Heritage from 22 March to 29 March 2023, when the Minister advised that the annual report would not be available until 14 March 2023. The annual report was tabled on 22 March 2023.
- 6.5 The Committee raised the matter with the Department of Planning, Lands and Heritage at its hearing.<sup>79</sup>

### FINDING 3

The Committee's preparations for hearings with the Department of Communities and the Department of Planning, Lands and Heritage were impacted by the late tabling of their annual reports.

#### Delay between audit opinion/statement of compliance and tabling

- 6.6 For some annual reports, there was a delay between:
- when the Auditor General provided the audit opinion and the accountable authority signed the statement of compliance with the *Financial Management Act 2006* (these events usually occur contemporaneously or in quick succession) and
  - when the Minister tabled the annual report in the Legislative Council.

The following table shows the key dates leading up to, and including, tabling for the agencies that appeared at a hearing.

Table 6. *Key dates in 2021-22 annual reports, agencies examined in detail*

Agency	Audit Opinion	Statement of Compliance	Tabled in the Legislative Council
Child and Adolescent Health Service	01/09/2022	01/09/2022	11/10/2022
Commissioner for Main Roads	29/08/2022	29/08/2022	21/09/2022
Department of Biodiversity, Conservation and Attractions	19/09/2022	09/2022	11/10/2022
Department of Communities	16/11/2022	16/11/2022	17/11/2022
Department of Justice	14/09/2022	14/09/2022	21/09/2022
Department of Planning, Lands and Heritage	16/03/2023	Undated	22/03/2023
Department of Transport	20/09/2022	20/09/2022	12/10/2022

<sup>79</sup> Hon Dan Caddy MLC; Hon Peter Collier MLC, Chair; Hon Matthew Swinbourn MLC, Parliamentary Secretary representing the Minister for Planning; Anthony Kannis, Director General, Department of Planning, Lands and Heritage, *transcript of evidence*, 29 March 2023, pp 2-3.



Agency	Audit Opinion	Statement of Compliance	Tabled in the Legislative Council
Department of Treasury	15/09/2022	14/09/2022	21/09/2022
Public Transport Authority of Western Australia	13/09/2022	Undated	21/09/2022
Synergy	05/09/2022	N/A	20/09/2022

[Source: Various annual reports & Minutes of Proceedings, Legislative Council, various dates]

6.7 Other examples include the following annual reports:

- Animal Resources Authority – the statement of compliance was signed on 11 August 2022 and the report was tabled on 20 September 2022.
- Mineral Research Institute of Western Australia – the statement of compliance was signed on 16 August 2022 and the report was tabled on 20 September 2022.
- Western Australian Treasury Corporation – the statement of compliance was signed on 24 August 2022 and the report was tabled on 21 September 2022.

6.8 The Committee sought further information from the Minister for Health on the timeliness of the Child and Adolescent Health Service annual report, which had a statement of compliance and an audit opinion dated 1 September 2022. The Minister advised:

A draft annual report was provided to the Ministers Office on 16 September 2022 for review and feedback; a final copy was provided on 10 October 2022.

The audit opinion was included in the draft annual report to the Ministers Office on 16 September 2022.

As per general custom and practice, the Department of Health coordinates notice of late tabling of annual reports, inviting all entities in the WA Health portfolio to be included in this. Through this process, CAHS sought approval for late tabling of the 2021/22 Annual Report taking full advantage of the additional time to ensure the provision of a high-quality report and adhere to internal governance processes.<sup>80</sup>

6.9 The Committee appreciates that Ministers may wish to review annual reports before tabling in Parliament. However, the Committee is concerned that the annual reports are not being tabled as promptly as they could be.

6.10 Ministers responsible for agencies subject to the *Financial Management Act 2006* must, by the last sitting day within the 90-day period after the reporting year<sup>81</sup> has finished, either:

- table in Parliament their annual report and audit opinion or
- inform Parliament that these documents will not be tabled.<sup>82</sup>

<sup>80</sup> Answer to additional question 3c asked by the Committee and answered by Hon Amber-Jade Sanderson MLA, Minister for Health; Mental Health, 14 April 2023, p 1.

<sup>81</sup> Unless an Act provides otherwise, the financial year of an agency ends on 30 June (*Financial Management Act 2006* s 61(4)). Certain education entities have a financial year that ends 31 December and Racing and Wagering Western Australia and the Western Australian Greyhound Racing Association have a financial year that ends 31 July.

<sup>82</sup> *Financial Management Act 2006* ss 64–5.



For most agencies, the statutory deadline for tabling was 28 September 2022. As Parliament was not sitting that day, these documents or a notice of late tabling needed to be provided by 21 September 2022, the last sitting day within the 90-day period.

- 6.11 The Committee has previously reflected that the alternate tabling provisions in the *Financial Management Act 2006* are unlikely to be used for annual reports or audit opinions, which results in the loss of time to prepare those documents.<sup>83</sup> The Auditor General noted:

Additional pressure arose because the last parliamentary sitting date was 21 September 2022 and entities need to provide their minister with final copies of their annual report in advance of this date. For entities juggling competing priorities, and our Office auditing the sector in just a few short months, bringing forward practical completion dates can impede compliance and result in delayed transparency for Parliament.<sup>84</sup>

- 6.12 The Auditor General recommended that the Department of Treasury consider amendments to the *Financial Management Act 2006* to allow for annual reports to be deemed tabled on non-sitting days.<sup>85</sup> The Committee agrees.

## RECOMMENDATION 5

The Treasurer consider amending the alternate tabling provisions in the *Financial Management Act 2006* to allow annual reports to be deemed tabled on non-sitting days.

## Notices of late tabling

- 6.13 A notice of late tabling must include the reasons why the annual report and audit opinion will not be tabled within the 90-day period and the anticipated date those documents will be tabled.<sup>86</sup> By 21 September, the President<sup>87</sup> and Minister representing the Treasurer tabled 8<sup>88</sup> notices, covering 58 agencies, in the Legislative Council.
- 6.14 The Committee observed that:
- there was no notice for the Perth Theatre Trust and Racing and Wagering Western Australia
  - the notice for the Corruption and Crime Commission was tabled on 1 December 2022
  - the notice for the Disability Services Commission and Department of Communities did not provide a reason for late tabling<sup>89</sup>

<sup>83</sup> Standing Committee on Estimates and Financial Operations, report 86, *Consideration of the 2020-21 Annual Reports*, Western Australia, Legislative Council, June 2022, p 14.

<sup>84</sup> OAG, *Financial Audit Results – State Government 2021-22*, Report 12, 22 December 2022, p 25.

<sup>85</sup> OAG, *Financial Audit Results – State Government 2021-22*, Report 12, 22 December 2022, p 26.

<sup>86</sup> *Financial Management Act 2006* s 65(1).

<sup>87</sup> The President tabled the notices of late tabling for the Commissioner for Children and Young People (which was also tabled by the Minister representing); Department of the Legislative Assembly; Department of the Legislative Council; Governor's Establishment; Parliamentary Services Department; Office of the Information Commissioner; and Office of the Inspector of Custodial Services.

<sup>88</sup> Tabled Papers 1529, 1530 & 1531, Legislative Council, 20 September 2022 & Tabled Papers 1600, 1644-1646 & 1648, Legislative Council, 21 September 2022.

<sup>89</sup> The letters said "The <agency> 2021-22 annual report and the opinion of the Auditor General will not be ready for tabling on the due date." (Tabled Paper 1648, Legislative Council, 21 September 2022, pp 27 & 33).

- the initial notice of late tabling for 5 agencies did not contain an anticipated date of tabling.<sup>90</sup>
- 6.15 The Committee notes that 12 agencies had a second notice tabled, and 4 agencies had 4 notices tabled. Although the *Financial Management Act 2006* does not appear to require additional notices beyond the first notice, the Committee appreciates Ministers' efforts to update Parliament on when outstanding annual reports are expected to arrive.

#### **FINDING 4**

The Committee benefitted from the additional notices of late tabling for 2021-22 annual reports tabled by relevant Ministers.

#### **Reasons for late tabling**

- 6.16 Ministers mostly attributed the delays to the loss of 5 working days due to Parliament last sitting on 21 September rather than 28 September 2022, and the audit opinion not being available by that date. Other reasons include:
- COVID impact on staffing<sup>91</sup>
  - delays to valuation data<sup>92</sup>
  - being unable to complete client surveys for the key performance indicators due to the unexpected death of the consultant.<sup>93</sup>
- 6.17 On the loss of working days and unavailable audit opinions, the Auditor General observed:

An additional 32 entities [separate from the 11 deferred] explained that their delay was caused by the last sitting date in September being earlier than the prior year and the loss of seven days preparation time. However, 20 of these entities received their audit opinion by 21 September, five of these were either on or before 1 September 2022. It appears that these five entities in particular, could have tabled their annual report in time to meet the statutory deadline.

Many entities informed us that an extension of time was necessary because the minister needed the final annual report at least a week in advance of the tabling date. While entities should ensure the minister's office has sufficient time to consider the annual report, they can submit a draft annual report for review prior to the finalisation of the financial statements and audit report. This practice would further avoid compressing our already tight auditing timeframes, where every day matters for our sector-wide program.

We also noted that some entities stated that the delays were caused, either fully or in part, due to our Office not issuing the audit opinion on time. This was not

<sup>90</sup> These agencies were the Art Gallery of Western Australia; Coal Miners' Welfare Board of Western Australia; Combat Sports Commission; Department of Local Government, Sport and Cultural Industries; and the Western Australian Sports Centre Trust (Tabled Paper 1648, Legislative Council, 21 September 2022, pp 14 & 20).

<sup>91</sup> This reason was cited in the notices covering the Department of Planning, Lands and Heritage; Western Australian Planning Commission; Aboriginal Affairs Planning Authority; and Heritage Council of Western Australia, and the Department of Primary Industries and Regional Development (Tabled Paper 1648, Legislative Council, 21 September 2022, pp 9 & 22).

<sup>92</sup> This reason was cited in the notice covering the Department of Planning, Lands and Heritage; Western Australian Planning Commission; Aboriginal Affairs Planning Authority; and Heritage Council of Western Australia (Tabled Paper 1648, Legislative Council, 21 September 2022, p 22).

<sup>93</sup> This reason was cited in the notices for the Goldfields-Esperance Development Commission, Great Southern Development Commission, and the Mid West Development Commission (Tabled Paper 1648, Legislative Council, 21 September 2022, pp 11-13).

always completely accurate, with several of these entities having significant issues with their finalisation of the financial statements and related supporting materials (i.e. not being sufficiently audit ready) or their own resourcing programs causing the delays. On request, we have reported separately to the Standing Committee on Estimates and Financial Operations of the reasons for delays in entities whose annual report was not tabled by 28 September 2022.<sup>94</sup>

- 6.18 Although the Committee notes that the Auditor General's decision to defer audits impacted on the timeliness of some annual reports, the Committee is concerned that some entities may have inappropriately attributed delays to the Office of the Auditor General. The Committee may need to seek information from the Auditor General on audit timeframes for the 2022-23 reporting period in order to confirm these delays.
- 6.19 The Committee appreciates that the reasons cited in notices reflect a view at a point in time and the reasons for delay may change over time. Delays should be expected if the entity misses its audit window or additional issues are identified as part of the audit.

### Combined annual reports

- 6.20 The practice of preparing a single annual report covering the Department of Planning, Lands and Heritage; Aboriginal Affairs Planning Authority; Heritage Council of Western Australia and the Western Australian Planning Commission impacted on the timely release of the annual report information for two of the agencies. The audit opinions were issued for the:
- Heritage Council on 30 November 2022<sup>95</sup>
  - Aboriginal Affairs Planning Authority on 13 December 2022<sup>96</sup>
  - Department and the Western Australian Planning Commission on 16 March 2023,<sup>97</sup>
- but the combined annual report was tabled on 22 March 2023.
- 6.21 The Committee explored this issue at the hearing. The Department advised that it had prepared combined annual reports since 2017, and that separating the already amalgamated annual reports for 2021-22 may have delayed tabling further.<sup>98</sup>
- 6.22 DevelopmentWA, as a non-statutory body, does not need to prepare an annual report in its own right. Instead, its annual report comprises the annual reports of the Western Australian Land Authority and the Metropolitan Redevelopment Authority. This practice did not affect the release of the annual report, as both entities had their audit opinion issued on the same date (28 September 2022).

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<sup>94</sup> OAG, *Financial Audit Results – State Government 2021-22*, Report 12, 22 December 2022, p 25.

<sup>95</sup> OAG, *Financial Audit Results – State Government 2021-22*, Report 12, 22 December 2022, p 70 & Department of Planning, Lands and Heritage (DPLH), *Annual Report 2021-22*, March 2022, p 215.

<sup>96</sup> DPLH, *Annual Report 2021-22*, March 2022, p 189.

<sup>97</sup> DPLH, *Annual Report 2021-22*, March 2022, pp 103 & 151.

<sup>98</sup> Hon Peter Collier MLC, Chair & Anthony Kannis, Director-General, Department of Planning, Lands and Heritage, *transcript of evidence*, 29 March 2023, p 6.

## Quality of information contained in annual reports

6.23 The Committee identified a number of issues that may reflect poorly on the quality of information contained in annual reports:

- 13 agencies<sup>99</sup> restated financial information for 2020-21 to improve comparability
- 31 errors were found (across 11 entities)
- 9 agencies tabled corrections for errors found.

### Restated financials

6.24 A restatement occurs:

- when the agency or auditors identify an error in the data of the prior year or
- the accounting treatment for a particular transaction has been revised.

The audit opinion will typically highlight these occasions as an 'emphasis of matter'.

6.25 The Child and Adolescent Health Service found that the value of land associated with the transfer for the Children's Hospice was incorrect.<sup>100</sup> The Child and Adolescent Health Service restated the value of property, plant and equipment, and contributed equity on the statement of financial position. The Committee sought more information on this correction. The Minister advised:

On 6 July 2022, CAHS became aware that the children's hospice site's value was overstated in the 2020-21 annual report. In the Asset Valuation Report for 2021-22, Landgate provided a valuation of \$3,000,000 for the excised land parcel of the original land holding in Swanbourne. CAHS immediately queried with Landgate the difference of \$12,700,000 between the 2021-22 value of \$3,000,000 and the 2020-21 valuation of \$15,700,000.

The reason for the overstatement was an oversight in communicating the land valuation in the previous financial year (2020-21). At the time, Landgate did not advise CAHS that the \$15,700,000 valuation was for a 3.9735ha parcel of land which was subsequently subdivided to form a smaller land holding of 5000m<sup>2</sup> for transfer to CAHS. The smaller land holding for the children's hospice was valued at \$3,000,000 in 2021-22.<sup>101</sup>

6.26 The Department of Treasury reclassified \$0.169 million from supplies and services to other expenses and restated values to reflect a correction for the General Insurance Fund.<sup>102</sup>

The Committee sought information on the latter matter. The Treasurer advised:

A restatement of the prior year General Insurance Fund liability was required in the 2021-22 Annual Report after it was identified that the actuarial valuation report used to value the Consolidated Account portion of the liability in 2020-21 had

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<sup>99</sup> These are the Aboriginal Affairs Planning Authority; Bunbury Water Corporation; Busselton Water Corporation; Child and Adolescent Health Services; Department of Primary Industries and Regional Development; Department of Treasury; Department of Water and Environmental Regulation; Edith Cowan University Hold Trust; Housing Authority; Water Corporation; Western Australian Land Authority; Western Australian Planning Commission; and Western Australian Sports Centre Trust.

<sup>100</sup> Child and Adolescent Health Service (CAHS), *Annual Report 2021-22*, 1 September 2022, p 121.

<sup>101</sup> Answer to question on notice A2 asked by the Hon Dr Brad Pettitt MLC and answered by Hon Amber-Jade Sanderson MLA, Minister for Health; Mental Health, 14 April 2023, p 1.

<sup>102</sup> Treasury, *Annual Report 2021-22*, 14 September 2022, pp 34 & 37-9.

been misinterpreted, leading to a misstatement of the liability and the corresponding expense in the 2020-21 Annual Report.<sup>103</sup>

## FINDING 5

The Committee's consideration of the 2021-22 annual reports was not adversely affected by restated 2020-21 data in the financial statements of the Child and Adolescent Health Services and the Department of Treasury.

### Identified errors in annual reports tabled in the Legislative Council

- 6.27 A table that lists the errors that the Committee found in its examination of annual reports, as they were tabled in the Legislative Council, is contained in Appendix 2. The list is not intended to be exhaustive, focusing on those agencies examined in detail or which came to the Committee's attention when it considered other matters in this report. Some of these errors have been updated in the web versions of the annual report.<sup>104</sup>
- 6.28 Ministers advised the:
- Department of Justice errors would be corrected and errata submitted to Parliament<sup>105</sup>
  - Public Transport Authority of Western Australia erratum 'will be provided in due course'.<sup>106</sup> It was tabled on 9 May 2023.
  - Child and Adolescent Health Service correction will be tabled in Parliament and posted on the website.<sup>107</sup>
  - Department of Planning, Lands and Heritage is preparing a corrigendum to address the error.<sup>108</sup> It was tabled on 9 May 2023.
- 6.29 It is not clear whether the following issues are errors or not:
- The Department of Biodiversity, Conservation and Attractions inconsistently characterised appropriations in its summary of Consolidated Account appropriations table. The Minister advised the 2022 Budget Estimate refers to the Department's (excluding statutory authorities) budget estimates approved under section 40 of the *Financial Management Act 2006* and 2022 Actual includes appropriations for the statutory authorities.<sup>109</sup>
  - The *2021-22 Annual Report on State Finances* did not disclose that a number of government agencies procured legal services from a party related to a Minister in the 'general government' section of related party disclosures. It was instead disclosed in the 'total public sector' section on related party disclosures.<sup>110</sup> However, the Committee

<sup>103</sup> Answer to additional question 10 asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 8 December 2022, p 10.

<sup>104</sup> Items 18-20 and 23-24 in Appendix 2.

<sup>105</sup> Answer to additional question 5 asked by the Committee and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, pp 2-3.

<sup>106</sup> Answer to additional question 1 asked by the Committee and answered by Hon Rita Saffioti MLA, Minister for Transport, 13 January 2023, p 4.

<sup>107</sup> Answer to additional questions 1b and 2b asked by the Committee and answered by Hon Amber-Jade Sanderson MLA, Minister for Health; Mental Health, 14 April 2023, p 1.

<sup>108</sup> Answer to additional questions 2 asked by the Committee and answered by Hon Rita Saffioti MLA, Minister for Planning, 8 May 2023, p 2.

<sup>109</sup> Answer to additional question 6 asked by the Committee and answered by Hon Reece Whitby MLA, Minister for Environment; Climate Action, 22 November 2022, p 3.

<sup>110</sup> Govt, *2021-22 Annual Report on State Finances*, 27 September 2022, p 162.

notes it was disclosed in the Department of Treasury annual report, and that the Department is a general government entity.<sup>111</sup> The Treasurer confirmed the legal services in the Department's annual report are the same legal services referred to in the *Annual Report on State Finances*.<sup>112</sup> The Committee also asked:

I refer to the Annual Report on State Finances, p 162, material transactions with other related parties, and ask:

- a) Were any of the government agencies that procured legal services in the general government sector? If so, should it have been disclosed in the general government sector disclosures too?

[The Treasurer advised:]

Yes. As the legal services procured by these agencies related to advice regarding whole-of-government issues and not specific to the agency, the entire \$9.9 million was disclosed in the total public sector section of Note 36: *Related Party Disclosures*.<sup>113</sup>

- The Child and Adolescent Health Service annual report stated that Child Development Service accepted 32,960 referrals during 2021-22.<sup>114</sup> The Minister later provided a breakdown of referrals accepted by age, which had a total of 33,005, and noted:

\*Data Notes: The total of 33,005 differs from the figure of 32,960 included in the 2021-22 Annual Report due to the timing of data extraction for the annual report being immediately after the end of the financial year. Data reported here was re- extracted on 30/03/2023 to undertake this additional analysis.<sup>115</sup>

- 6.30 While the errors listed in Appendix 2 did not adversely affect the Committee's consideration of the selected annual reports to a significant degree, they reflect poorly on the quality of information contained in the annual reports. These errors could render the reports misleading and/or difficult to read.

## FINDING 6

The Committee's consideration of the 2021-22 annual reports was not adversely affected by the errors found in the examined annual reports. However, the errors were unhelpful to the process.

## RECOMMENDATION 6

Ministers responsible for agencies listed in Appendix 2 should table errata in the Parliament as soon as possible.

<sup>111</sup> Department of Treasury (Treasury), *Annual Report 2021-22*, 14 September 2022, p 64.

<sup>112</sup> Answer to additional question 12 asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 8 December 2022, p 12.

<sup>113</sup> Answer to additional question 5a by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 8 December 2022, p 5.

<sup>114</sup> Child and Adolescent Health Service (CAHS), *Annual Report 2021-22*, 1 September 2022, p 38.

<sup>115</sup> Answer to additional question 2 asked by the Hon Donna Faraghar MLC and answered by Hon Amber-Jade Sanderson MLA, Minister for Health; Mental Health, 14 April 2023, p 4.

## Errata tabled in the Legislative Council

6.31 The following table lists the corrections tabled to date.

Table 7. Corrections to 2021-22 annual reports, as at 14 June 2023

Agency	Reason
Commissioner for Children and Young People	Incorrect data shown for the unit cost per child and unit cost per representation key efficiency indicators <sup>116</sup>
Corruption and Crime Commission	Incorrect data for the percentage of culturally and linguistically diverse employees <sup>117</sup>
Department of Health	Applied incorrect colour scheme for whether the difference between actual and targeted performance for some key effectiveness indicators was above or below target <sup>118</sup>
Department of Planning, Lands and Heritage	Updated material relating to the Performance Management Framework <sup>119</sup>
Department of Primary Industries and Regional Development	Incorrect date for the audit opinion <sup>120</sup>
Governor's Establishment	Missing audit opinion <sup>121</sup>
Pilbara Ports Authority	Roger Johnston was incorrectly described as Deputy Chair <sup>122</sup>
Public Transport Authority of Western Australia	Updated the key effectiveness indicator for 'AvonLink arriving within 10 minutes of schedule time' <sup>123</sup>
Southern Ports Authority	A typographical error was identified in the table summarising international trade tonnages <sup>124</sup>

[Source: Various tabled papers]

6.32 In addition, the Government tabled errata for two 2020-21 annual reports:

- the Department of Mines, Industry Regulation and Safety annual report corrected the number of site inspections and audits under the *Mines Safety and Inspection Act 1994*, number of convictions and total fines.<sup>125</sup>
- Western Australia Police Force annual report corrected Commonwealth grants, net cash provided by/(used in) operating activity, and capital commitments.<sup>126</sup>

<sup>116</sup> Tabled Paper 2055, Legislative Council, 14 March 2023.

<sup>117</sup> Tabled Paper 2056, Legislative Council, 14 March 2023.

<sup>118</sup> Tabled Paper 1895, Legislative Council, 29 November 2022.

<sup>119</sup> Tabled Paper 2156, Legislative Council, 9 May 2023. Amendments affect the Department of Planning, Lands and Heritage, the Aboriginal Affairs Planning Authority, Western Australian Planning Commission, and Heritage Council of Western Australia.

<sup>120</sup> Tabled Paper 2182, Legislative Council, 9 May 2023.

<sup>121</sup> Tabled Paper 2030, Legislative Council, 21 February 2023.

<sup>122</sup> Tabled Paper 2155, Legislative Council, 9 May 2023.

<sup>123</sup> Tabled Paper 2157, Legislative Council, 9 May 2023.

<sup>124</sup> Tabled Paper 2158, Legislative Council, 9 May 2023.

<sup>125</sup> Tabled Paper 1727, Legislative Council, 18 October 2022.

<sup>126</sup> Tabled Paper 2063, Legislative Council, 14 March 2023.



- 6.33 Of the errata referred to in paragraph 6.28, the errata for the Child and Adolescent Health Service and the Department of Justice are yet to be tabled.

## FINDING 7

The Committee's consideration of the 2021-22 annual reports was not adversely affected by errata tabled for certain annual reports.

## Other matters

### Statements of compliance

- 6.34 Accountable authorities are required to prepare and sign a 'Statement of Compliance' to the Minister for the annual report. The statement shall comprise:

- (i) a statement in the following terms:

'In accordance with section 63 of the *Financial Management Act 2006*, I [We] hereby submit for your information and presentation to Parliament the Annual Report of the [Name of Agency] for the [period as specified] ended [date].

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*'; and

- (ii) where applicable, a statement acknowledging the incorporation within the annual report of any special reporting requirements imposed on the accountable authority by any other written law.<sup>127</sup>

The accountable authority is required to sign and date the statement.<sup>128</sup>

- 6.35 The Committee noted that:

- the Western Australian Sports Centre Trust annual report did not include a statement of compliance
- the Combat Sports Commission's statement was out-of-date, referring to the *Financial Administration and Audit Act 1985* (see Appendix 2)
- the statements of 14 agencies<sup>129</sup> were undated and 5 agencies<sup>130</sup> were partially dated (in the form of <month> 2022).

- 6.36 Failing to date the statement of compliance means the Committee is unable to determine when the accountable authority complied with their obligations.

<sup>127</sup> Treasury, *Treasurer's instruction 902: Statement of Compliance*, Financial Administration Bookcase (No. 90), 18 November 2022, p 1.

<sup>128</sup> Treasury, *Treasurer's instruction 902: Statement of Compliance*, Financial Administration Bookcase (No. 90), 18 November 2022, p 1.

<sup>129</sup> The Burswood Park Board; Combat Sports Commission; Department of Planning, Lands and Heritage; Department of the Premier and Cabinet; Economic Regulation Authority; Government Employees Superannuation Board; Infrastructure WA; Keep Australia Beautiful Council; Metropolitan Cemeteries Board; Mid West Development Commission; North Metropolitan Health Service; Parliamentary Inspector of the Corruption and Crime Commission; Public Transport Authority of Western Australia; and the Small Business Development Corporation.

<sup>130</sup> The Department of Biodiversity, Conservation and Attractions; Goldfields-Esperance Development Commission; Peel Development Commission; Western Australian Tourism Commission and the Western Australian Electoral Commission.



- 6.37 The Committee asked the Minister when did the Director General of the Department of Planning, Lands and Heritage submit the annual report to the Minister/s and why the statement was not dated, as required by Treasurer's instruction 902. The Minister advised:

The 2021-22 Annual Report was provided to the Minister for Planning's office on Monday 20 March 2023.<sup>131</sup>

- 6.38 The Minister's response did not explain why the statement was not dated.

## RECOMMENDATION 7

The Treasurer direct the Department of Treasury to remind accountable authorities that statements of compliance should be prepared and properly dated.

### Audit opinions tabled separately from annual reports

- 6.39 A copy of the audit opinion must be given to the relevant Minister and tabled in both Houses of Parliament.<sup>132</sup> Although there is no formal requirement to include the opinion in the annual report, it is the general practice to do so. The following agencies tabled the audit opinion separately from the annual report:

- Department of the Legislative Council<sup>133</sup>
- Department of the Legislative Assembly<sup>134</sup>
- Governor's Establishment<sup>135</sup>
- Professional Standards Council<sup>136</sup>

### Assessing key performance indicators

- 6.40 Agencies are required to include key performance information in their annual report (unless the Treasurer directs otherwise).<sup>137</sup> The agency performance section in the annual report must:

at a minimum ... include a summary assessment of actual performance relative to target performance.<sup>138</sup>

- 6.41 Of the agencies examined in detail, the Child and Adolescent Health Service annual report provided the clearest summary of key performance information. It listed each indicator, colour-coded whether actual performance was 'favourable' or 'unfavourable' and provided page references on where to find further information.<sup>139</sup>

<sup>131</sup> Answer to additional question 1 asked by the Committee and answered by Hon Rita Saffioti MLA, Minister for Planning, 8 May 2023, p 1.

<sup>132</sup> *Financial Management Act 2006* s 64(1)(b).

<sup>133</sup> Tabled Paper 2031, Legislative Council, 21 February 2023. The paper included the audit opinion for 2020-21.

<sup>134</sup> Tabled Paper 1941, Legislative Council, 14 February 2023. The paper included the audit opinions for the period 2017-18 to 2021-22.

<sup>135</sup> Tabled Paper 2030, Legislative Council, 21 February 2023.

<sup>136</sup> Tabled Paper 2084, Legislative Council, 15 March 2023. The paper included key performance information and the financial statements (including notes).

<sup>137</sup> *Financial Management Act 2006* s 61(1)(b).

<sup>138</sup> Treasury, *Treasurer's instruction 903: Agency annual reports*, Financial Administration Bookcase (No. 90), 18 November 2022, p 3.

<sup>139</sup> CAHS, *Annual Report 2021-22*, 1 September 2022, p 75.

- 6.42 Readers benefit when the annual report clearly identifies whether the target has been met (or not). This is particularly helpful when it is not always clear whether a higher or lower result than the target is a 'better' or 'worse' outcome.

#### RECOMMENDATION 8

The Treasurer direct the Department of Treasury to examine the best method to indicate clearly in an annual report whether a key performance target has been met. Once that method has been determined, it should be incorporated into the Model Annual Reports contained in the *Financial Administration Bookcase*.

#### Change in annual reports

- 6.43 The State Solicitor's Office prepared its first annual report, as a result of becoming a sub-department of the Department of Justice on 1 October 2021.<sup>140</sup> The following agencies will not be required to table a 2022-23 annual report:
- Energy Policy WA<sup>141</sup>
  - Landcare Trust<sup>142</sup>
  - Legal Contribution Trust<sup>143</sup>
  - Perth Theatre Trust, which became the Arts and Culture Trust on 1 July 2022.<sup>144</sup>

## 7 Provision of information

- 7.1 The Committee's ability to scrutinise Government and its agencies is affected by the quality and quantity of information made available for that purpose. The Committee reflected on quality of information contained in the annual reports in the previous section. This section will focus on Ministers' decisions to not provide information to the Committee and the quality of certain answers provided.

### Ministerial decisions to not provide information

- 7.2 Ministers declined to provide information to the Committee on 8 occasions. These occasions are shown in Table 8 on page 33. The Committee did not ask any questions prior to hearings, so the table covers questions on notice and additional questions.

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<sup>140</sup> State Solicitor's Office, *Annual Report 2021-22*, 30 September 2022, p 1.

<sup>141</sup> Energy Policy WA was established as a sub-department of the Department of Mines, Industry Regulation and Safety on 5 September 2019. Its sub-department status ceased on 30 June 2022, and its activities will be included in the Department's 2022-23 annual report (Energy Policy WA, *Final Report 2021-22*, 2 September 2022, p 9).

<sup>142</sup> The *Soil and Land Conservation Amendment Act 2022* removed the legislative basis for the Landcare Trust, which had effectively ceased operation in December 2002, when its board was disbanded and its funds disbursed. (Landcare Trust, *Final report*, September 2022, p 1).

<sup>143</sup> The Legal Contribution Trust was removed from the schedule of statutory authorities subject to the *Financial Management Act 2006*, as part of uniform law reforms. The financial statements of the Trust will be audited and provided to the Attorney General, the Law Society of Western Australia and the Legal Practice Board of Western Australia (Legal Contribution Trust, *Annual Report 30 June 2022*, 27 September 2022, p 6).

<sup>144</sup> Perth Theatre Trust, *Annual Report 2021-2022*, prepared by the Arts and Culture Trust, 5 October 2022, p 2.

Table 8. *Occasions of non-provision of information*

No.	Minister	Agency	Issue	Basis for non-provision
1.	Treasurer	Department of Treasury	Agencies that obtained legal services from a related party (of a Minister) and the topics covered by such services <sup>145</sup>	Legal professional privilege
2.	Transport	Department of Transport	Internal audit report, <i>TRELIS system access health check</i> , September 2022 – individuals' names were redacted <sup>146</sup>	Privacy
3.	Corrective Services	Department of Justice	Average number of young people housed at each facility in certain facilities <sup>147</sup>	Too resource-intensive
4.	Corrective Services	Department of Justice	Banksia Hill Detention Centre staffing and rostering levels <sup>148</sup>	Too resource-intensive
5.	Corrective Services	Department of Justice	Banksia Hill Detention Centre people who were remanded and later convicted <sup>149</sup>	Different data systems
6.	Corrective Services	Department of Justice	Banksia Hill Detention Centre staff profile for the reporting year <sup>150</sup>	Too resource-intensive
7.	Corrective Services	Department of Justice	Banksia Hill Detention Centre number of juveniles that spent 24 hours continuously in their cells <sup>151</sup>	Data quality
8.	Energy	Synergy	Spending on fuel by type <sup>152</sup>	Commercial-in-confidence

7.3 When a Minister decides it is 'reasonable and appropriate' not to provide 'certain information' to Parliament, the Minister is required to notify each House of Parliament and the Auditor General of this decision.<sup>153</sup> The relevant Ministers should notify Parliament and Auditor General for occasions 1 and 3-8.

<sup>145</sup> Answer to additional question 5b asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 16 December 2022, p 5.

<sup>146</sup> Answer to question on notice A4 asked by Hon Nick Goiran MLC and answered by Hon Rita Saffioti MLA, Minister for Transport, 9 January 2023, Attachment 1.

<sup>147</sup> Answer to additional question 1g asked by Hon Dr Brad Pettitt MLC and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 5.

<sup>148</sup> Answer to additional questions 2a-c asked by Hon Dr Brad Pettitt MLC and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 6.

<sup>149</sup> Answer to questions on notice A1c asked by Hon Peter Collier MLC and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 10.

<sup>150</sup> Answer to questions on notice A2 asked by Hon Peter Collier MLC and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 11.

<sup>151</sup> Answer to questions on notice A8 asked by Hon Peter Collier MLC and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 12.

<sup>152</sup> Answer to question on notice A10 asked by Hon Dr Steve Thomas MLC and answered by Hon Bill Johnston MLA, Minister for Energy, 5 April 2023, p 14.

<sup>153</sup> There is a complementary obligation on the Auditor General to form an opinion on 'whether a decision by a Minister not to provide information Parliament concerning any conduct or operation of an agency is reasonable and appropriate' and report that opinion to both Houses of Parliament (*Auditor General Act 2006* s 24(2)(c)).

- 7.4 In relation to occasion 1, the Committee does not consider providing a list of agencies and the topics for legal services procured from a related party to be covered by legal professional privilege. The Committee may have had a different view if it had sought copies of the legal advice, which it did not.
- 7.5 For occasion 8, the Minister for Energy ideally should have supplied the relevant information to the Committee, and requested it be kept private.

#### **FINDING 8**

The Committee's consideration of the 2021-22 annual reports was not adversely affected by Ministers' decisions to not provide certain information.

#### **RECOMMENDATION 9**

The Treasurer and the Minister for Energy; Corrective Services notify the Parliament and Auditor General of their decisions to not provide certain information to the Committee.

### **Quality of answers to Committee questions**

- 7.6 The Committee was disappointed by some of the answers to questions on notice or additional questions. This section provides three examples.

#### **Department of Communities spending restricted cash**

- 7.7 The Auditor General qualified the financial statements and controls of the Department of Communities due to its management of restricted cash assets. The audit opinion for the financial statements noted:

The classification of the Department of Communities restricted cash and cash equivalents of \$30.421 million (Note 7.4) is materially understated by \$27.236 million, and cash and cash equivalents of \$24.932 million (Note 7.3) is equally overstated. This error represents the outstanding balance of restricted funds owed to the Disability Services Commission (\$15.270 million) and the Housing Authority (\$11.966 million), which is reported within Payables (Note 6.4 – Trade payables). The Payables balance identified also exceeded the Department's cash balance, indicating the Department has used these restricted funds to fund shortfalls in its operational cash, however, I am unable to determine the extent to which this has occurred. As a result of the above, the department has breached the legislative provisions of section 18(2) of the *Financial Management Act 2006*.<sup>154</sup>

- 7.8 The Committee asked whether the Department used restricted cash to fund shortfalls in its operational cash and, if so, when and under what circumstances. The Minister advised:

The Auditor General's opinion is that the Department of Communities' (Communities) Financial Statements classification of restricted cash and cash equivalents of \$30.421 million is materially understated by \$27.236 million, and cash and cash equivalents of \$24.932 million was equally overstated.

The basis of this opinion relates to Communities' cost allocation method, wherein appropriations from the Disability Services Commission and the Housing Authority are paid to Communities in recognition of shared corporate costs between the three reporting entities. Communities has been operating under the cost allocation approach for four years. It was developed in collaboration with an external

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<sup>154</sup> Communities, *Annual Report 2021-22*, 16 November 2022, p 35.

consultant in 2018. The approach was subsequently reviewed and strengthened in collaboration with another external consultant in 2020, following and taking into account of operational, system and structural changes in Communities.

In the case of salary payments, which was the focus of the Auditor General's opinion, payments are made to Communities in advance of the fortnightly pay run Communities employs and pays the salaries of employees who are then made available to subsidiary statutory authorities.

In 2021-22, Communities received around one month's worth of salary payments from its subsidiary entities in excess of what was ultimately paid in salaries to staff. This overpayment is transparently recorded as a payable in Communities' financial statements.

The Auditor General's opinion is that the excess cash transfers made to Communities by its subsidiary entities should be classified as restricted.<sup>155</sup>

- 7.9 The Minister's response does not indicate whether restricted cash had been used, when and under what circumstances.

### **Commissioner of Main Roads spending on services**

- 7.10 Commissioner of Main Roads has a long-standing practice of presenting service-level spending on an 'adjusted basis'. These adjustments add investment spending and deduct certain recurrent spending from each service. The 2021-22 annual report appears to continue this practice.<sup>156</sup>

- 7.11 The Committee asked the following questions:

The Committee refers to page 124, and ask does the service-level data contain certain capital spending and adjustments?

- a) If yes, can this data be provided on an unadjusted basis? If not, why not?
- b) If no to (a), the Committee understands that it received unadjusted data as part [of] the 2019-20 Budget estimates process.
  - i) Can you confirm that that was the case?
  - ii) If yes to (i), can you explain why unadjusted data is no longer able to be provided?

- 7.12 The Committee received the following answer:

The table provides capital within the service levels, with the unadjusted figures detailed in the final column.<sup>157</sup>

- 7.13 The response only addressed one of the multiple parts to this question.

### **Qualified audit opinion for the Department of Planning, Lands and Heritage**

- 7.14 At the hearing with the Department of Planning, Lands and Heritage, the Committee explored the timeframes around when the Department became aware that it would receive a

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<sup>155</sup> Answer to additional question 6 asked by the Committee and answered by Hon Sabine Winton MLA; Minister for Early Childhood Education; Child Protection; Prevention of Family and Domestic Violence; Community Services, 2 February 2023, p 9.

<sup>156</sup> Main Roads, *Annual Report 2022*, 29 August 2022, p 124.

<sup>157</sup> Answer to additional question 3 asked by the Committee and answered by Hon Rita Saffioti MLA, Minister for Transport, 3 January 2023, p 3.

qualified audit opinion. The Committee sought copies of the email traffic between department officials and the Office of the Auditor General, as follows:

Hon NICK GOIRAN: So that was raised by way of email or letter, telephone conversation?

Mr KANNIS: Through the form of forensic questions by the Auditor General to see that they thought there was an issue.

Hon NICK GOIRAN: Written or oral questions?

Mr KANNIS: Both. There was some email traffic.

Hon NICK GOIRAN: Can that material be provided to the committee?

Hon MATTHEW SWINBOURN: That is a question for you, director general.

Mr KANNIS: I would need to investigate what capacity we have to release it. I do not know if the answer is yes or no, but I would like to take that on notice to see if I can provide that information.

Hon MATTHEW SWINBOURN: We will seek advice and if we can provide it, we will provide it.<sup>158</sup>

7.15 The Minister provided the following advice:

The first time concerns were raised regarding the reconciliation of administered assets was via an email to the Department's Finance staff on 22 December 2022.<sup>159</sup>

7.16 The Minister's response did not include the requested emails or reflect on that part of the request. The Committee will pursue this matter with the Minister.

## 8 Conclusion

8.1 The *Annual Report on State Finances* and agency annual reports are important accountability documents. These documents provide the reader with an assessment of how the State and individual agencies performed against budget-time expectations and the previous reporting period. In this review, the Committee examined 10 agencies in detail.

8.2 The data indicates that in 2021-22:

- the Government spent \$36.9 billion from the Consolidated Account, \$929 million more than expected at the time of the 2021-22 Budget
- the Government supplemented 44 items of expenditure and created 4 new items of expenditure from the Consolidated Account
- less than half of the key effectiveness and efficiency indicators were met in the agencies selected for review. Synergy met over half of its key performance indicators
- 24 agencies had qualified audit opinions covering 43 matters, representing the highest number of audit qualifications issued by the Auditor General in the last 10 years.

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<sup>158</sup> Hon Nick Goiran MLC; Hon Matthew Swinbourn MLC, Parliamentary Secretary to the Attorney General; & Anthony Kannis, Director General, Department of Planning, Lands and Heritage, *transcript of evidence*, 29 March 2023, p 8.

<sup>159</sup> Answer to question on notice A2 asked by the Hon Nick Goiran MLC and answered by Hon Rita Saffioti MLA, Minister for Planning, 8 May 2023, p 2.

- 8.3 The Committee shares the Auditor General's concerns about the record number of qualified agencies and matters in 2021-22.
- 8.4 The Committee reflected on whether its capacity to scrutinise agency operations was impacted by the quality, quantity and timeliness of information. The Committee was impacted by the late tabling of the annual reports for the Department of Communities and the Department of Planning, Lands and Heritage. It was not adversely affected by:
- 7 agencies presenting budget estimates for financial aggregates that differ from previously published data
  - 9 agencies tabling corrections to their 2021-22 annual reports
  - finding 31 errors in the annual reports of 11 entities.
- 8.5 The Committee is of the view that its consideration of the 2021-22 annual reports provided an appropriate level of Government scrutiny. The Committee thanks all Ministers, witnesses and participating Members for their assistance.



Hon Peter Collier MLC  
**Chair**

## APPENDIX 1

### SUPPLEMENTARY APPROPRIATIONS

Table 9. *Supplementary appropriations, agencies examined in detail, 2021-22*

Agency	Item	Amount \$m	Reason
Commissioner of Main Roads	142	31.1	Primarily reflecting funding provided for the construction of enabling road infrastructure to support a proposed urea project on the Burrup Peninsula.
Department of Biodiversity, Conservation and Attractions	84	5.4	To meet unforeseen expenditure relating to bushfire suppression activities (\$14.9 million) and for the loss of revenue associated with the closure of the Valley of the Giants Tree Top Walk in Walpole to address critical structural safety issues (\$1 million). These increases were partially offset by the deferral of recurrent appropriation of \$10.5 million from 2021-22 to 2022-23 for various projects, and reduced depreciation expenses on leased vehicle costs (\$0.1 million).
Department of Communities	71	179.2	Largely reflecting higher than budgeted National Disability Insurance Scheme payments to the Commonwealth (\$78.5 million), additional funding in response to the COVID-19 pandemic (\$48.4 million), meeting the cost of a shortfall in Commonwealth revenue for the cost of delivering Supported Independent Living services for people living with disability (\$15.6 million), supplementing lower than expected social housing rent receipts (\$21.9 million) and to meet higher than expected office accommodation costs (\$12 million).
Department of Justice	62	32.0	With funding of \$9.2 million to address revenue shortfalls in Civil Court fees and collections (partially due to the impact of COVID-19 restrictions), \$8.1 million primarily for Coroner's Court resourcing and operations, Office of the Public Advocate's services, and Acacia Prison contractual obligations, \$4.9 million to meet additional Legal Aid costs for State-indictable matters, expensive cases and related items, \$4.9 million for COVID-19 related expenses, \$5.0 million for mesothelioma settlements, act of grace payments, other legal expenses [for] the use of copyright materials, and one off expenses. Of the approved excess, only \$22.8 million was drawn, mainly reflecting underspending in, and changed timing of funding to, the Justice Reform Program.
	130	1.0	To undertake urgent infrastructure upgrades at Banksia Hill Detention Centre.



Agency	Item	Amount \$m	Reason
Department of Treasury	15	0.1	Bunbury Water Corporation: An additional operating subsidy was required to meet higher than expected customer concessions incurred in 2019-20 and 2020-21. Outcomes for these concessions are not known with certainty until final accounts for the financial year become available after 30 June each year. The funding was approved and fully drawn in 2021-22.
	20	40.0	Public Transport Authority: An increase in the Authority's operating subsidy was approved to offset reduced revenue, meet additional expenses incurred as a result of higher fuel prices and for the financial settlement associated with the terminated Radio Systems Replacement contract (which was terminated in 2020 and settled in 2021-22). Following subsequent movements in revenue and expenses, \$19.4 million of the increase was drawn by 30 June 2022.
	22	4.3	Southern Ports Authority: ... [t]o cover an increase in cost for the Government Support Package for Koolyanobbing Iron Ore in 2021-22. This increase included recognition of the revised costs to support the package and an increase in forecast expenditure on iron ore loading and cleaning. The funding was fully drawn in 2021-22.
	23	28.8	Water Corporation of Western Australia: \$19.1 million following the accounting reclassification of cloud-based ICT projects from capital expenditure to operating expenditure, and \$6.3 million following the deferral of the achievement of efficiency savings due to COVID-19 supply chain impacts and Cyclone Seroja. The funding was fully drawn in 2021-22.
	24	7.8	Western Australia Land Authority (DevelopmentWA): To facilitate the development of residential and industrial land in regional areas, expensed funding for the construction of required infrastructure at the Australian Marine Complex, and to meet transaction costs associated with the Housing Authority Machinery of Government reform (which includes the transfer of Housing Authority assets to DevelopmentWA). These funds were not drawn in 2021-22 due to delays in tendering associated with construction market pressures.

Agency	Item	Amount \$m	Reason
	37	127.5	All Other Grants, Subsidies and Transfer Payments: To fund additional COVID-19 support costs for the Level 1 Business Assistance Package and grant payments for the Level 2 Small Business Hardship Grants program. A total of \$37 million in claims were paid to eligible businesses by 30 June 2022, mainly reflecting the net impact of \$40 million for the Covid Business Assistance Package partially offset by a \$2.3 million underspend on the Commonwealth Pandemic Leave Disaster Payment, with the residual funding expected to be paid in 2022-23 (reflecting a late surge in applications and the time required to assess the applications and provide the payments to eligible small businesses).
	103	6.3	Electricity Networks Corporation (Western Power): Provided to offset the impact on cash for an increase in Western Power's tax liability (as a consequence of higher than expected capital contributions) and dividends paid on land sales. The approved contribution was drawn in full.
	New	14.3	Forest Products Commission: An equity contribution ... was approved ... as part of the 2022-23 Budget to address losses on native forest operations in 2021-22 (following the Government's decision in September 2021 to end the logging of native forests by 2024), and to maintain sufficient working capital. The funding was fully drawn in 2021-22.
	New	22.9	Water Corporation of Western Australia: An equity contribution ... required for the Burrup Seawater Supply Scheme infrastructure upgrades was approved as part of the 2021-22 Mid-year Review process. The funding was fully drawn in 2021-22.
	New	3.0	Mid West Ports Authority: An equity contribution ... was provided to the Mid West Ports Authority for the construction of a jetty on the eastern breakwater for high-speed ferries to service the Abrolhos Islands. This funding was approved as part of the 2021-22 Mid-year Review and fully drawn by 30 June 2022.
	New	10.2	Bunbury Water Corporation: An operating subsidy ... was provided to support the cost of the Bunbury Water Resource Recovery Scheme Project, and water network fluoridation planning costs. The funding was approved as part of the 2021-22 Mid-year Review and fully drawn in 2021-22.

[Source: Government of Western Australia, *2021-22 Annual Report on State Finances*, 27 September 2022, pp 235–243]

## APPENDIX 2

### ERRORS FOUND IN SELECTED ANNUAL REPORTS

Table 10. *Identified errors in annual reports, selected agencies, as at 14 June 2023*

No.	Agency	Page	Error
1.	Child and Adolescent Health Service	13	The 32,982 refers to the number of unique children that received services from the Child Development Service, not the number of assessments <sup>160</sup>
2.	Child and Adolescent Health Service	83	The 'average cost per person of delivering population health programs by population health units' should be a key efficiency indicator <sup>161</sup>
3.	Child and Adolescent Health Service	88	Text missing from the Independent Auditor's report <sup>162</sup>
4.	Combat Sports Commission	2	The reference to 'Section 66 of the Financial Administration and Audit Act 1985' should be a reference to 'section 63 of the <i>Financial Management Act 2006</i> '
5.	Department of Biodiversity, Conservation and Attractions	56	There is not meant to be an entry between Tathra and Torndirrup <sup>163</sup>
6.	Department of Biodiversity, Conservation and Attractions	89	Summary of Consolidated Account appropriations – the administered transactions should not have been included
7.	Department of Biodiversity, Conservation and Attractions	158	The number of employees that left the Department during disciplinary processes arising from COVID-19 vaccination requirements should be 6, not 7 <sup>164</sup>
8.	Department of Communities	41	Changes in asset revolution surplus should be 'changes in asset revaluation surplus' <sup>165</sup>

<sup>160</sup> Answer to additional question 2 asked by the Hon Donna Faragher MLC and answered by Hon Amber-Jade Sanderson MLA, Minister for Health; Mental Health, 14 April 2023, p 4.

<sup>161</sup> Answer to additional question 1a asked by the Committee and answered by Hon Amber-Jade Sanderson MLA, Minister for Health; Mental Health, 14 April 2023, p 1.

<sup>162</sup> Answer to additional question 2a asked by the Committee and answered by Hon Amber-Jade Sanderson MLA, Minister for Health; Mental Health, 14 April 2023, p 1.

<sup>163</sup> Answer to additional question 15 asked by the Committee and answered by Hon Reece Whitby MLA, Minister for Environment; Climate Action, 22 November 2022, p 6.

<sup>164</sup> Answer to question on notice A4 asked by Hon Nick Goiran MLC and answered by Hon Reece Whitby MLA, Minister for Environment; Climate Action, 22 November 2022, p 1.

<sup>165</sup> Answer to additional question 1 asked by the Committee and answered by Hon Sabine Winton MLA, Minister for Early Childhood Education; Child Protection; Prevention of Family and Domestic Violence; Community Services, 2 February 2023, p 1.

No.	Agency	Page	Error
9.	Department of Communities	70	Table 32: Summary of Consolidated Account appropriations – Item numbers incorrect <sup>166</sup>
10.	Department of Communities	70	Table 32: Summary of Consolidated Account appropriations – Errors in multiple values <sup>167</sup>
11.	Department of Communities	70	Table 32: Summary of Consolidated Account appropriations – Missing row on transfers <sup>168</sup>
12.	Department of Justice	38	Table – Work development order percentage should be -20.8% <sup>169</sup>
13.	Department of Justice	93	Unauthorised use of purchase cards table – the settled after five working days amount should be \$2,641.25 <sup>170</sup>
14.	Department of Justice	93	Unauthorised use of purchase cards – the sentence 'All money has been repaid except for an amount of \$96.09 which is currently under debt recovery procedures' should be removed <sup>171</sup>
15.	Department of Justice	95	Table on summary of employee numbers by occupational group (award) and gender – '2020/21' should be '2021/22' and '2019/20' should be '2020/21' <sup>172</sup>
16.	Department of Justice	138	Summary of Consolidated Account appropriations – Item numbers incorrect
17.	Department of Justice	138	Summary of Consolidated Account appropriations – received more in funding than its budget
18.	Department of Justice	183	The reference to 'Key Effectiveness Indicators' should be to 'Key Efficiency Indicators' <sup>173</sup>
19.	Department of Planning, Lands and Heritage	132	The Government goal should be 'Growing our communities: Protecting our environment with thriving suburbs and regions' <sup>174</sup>

<sup>166</sup> Hon John Carey MLA, Minister for Housing; Homelessness, letter, 5 May 2023, p 2.

<sup>167</sup> Answer to additional question 2 asked by the Committee and answered by Hon Sabine Winton MLA, Minister for Early Childhood Education; Child Protection; Prevention of Family and Domestic Violence; Community Services, 2 February 2023, p 2 & Hon John Carey MLA, Minister for Housing; Homelessness, letter, 5 May 2023, p 2.

<sup>168</sup> Hon John Carey MLA, Minister for Housing; Homelessness, letter, 5 May 2023, pp 2-5.

<sup>169</sup> Answer to additional question 5a asked by the Committee and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 2.

<sup>170</sup> Answer to additional question 5b asked by the Committee and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 3.

<sup>171</sup> Answer to additional question 5c asked by the Committee and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 3.

<sup>172</sup> Answer to additional question 5d asked by the Committee and answered by Hon Bill Johnston MLA, Minister for Corrective Services, 14 March 2023, p 3.

<sup>173</sup> Answer to additional question 5e asked by the Committee and answered by Hon John Quigley MLA, Attorney General, 4 May 2023, p 3.

<sup>174</sup> Answer to additional question 2 asked by the Committee and answered by Hon Rita Saffioti MLA, Minister for Planning, 8 May 2023, p 2.

No.	Agency	Page	Error
20.	Department of Treasury	34	Net negative cost of services should be positive <sup>175</sup>
21.	Department of Treasury	39	Administered assets and liabilities, non-current liabilities, borrowing should be \$24,986,945, not \$24,98,945 <sup>176</sup>
22.	Department of Treasury	70	The blank row after 'principal elements of lease (2018 – finance lease) payments' should be 'net cash used in financing activities' <sup>177</sup>
23.	Disability Services Commission	22	Table 7: Summary of Consolidated Account appropriations – Errors in multiple values <sup>178</sup>
24.	Public Transport Authority	60	The 'AvonLink arriving within 10 minutes of schedule time' effectiveness indicator should have an 2021-22 actual of 89.09%, not 97.78% <sup>179</sup>
25.	Public Transport Authority	62	The 'Total cost of managing the rail freight corridor and residual freight issues' efficiency indicator lists cost amounts in the thousands of dollars, but the amounts should be millions of dollars
26.	Housing Authority	56	Table 21: Summary of Consolidated Account appropriations – Errors in multiple values <sup>180</sup>
27.	Housing Authority	56	Table 21: Summary of Consolidated Account appropriations – Missing row on transfers <sup>181</sup>
28.	Housing Authority	192	The Housing Authority did not receive funds from the Social Housing Investment Fund <sup>182</sup>
29.	Housing Authority	198	The Housing Authority did not receive funds from the Social Housing Investment Fund <sup>183</sup>
30.	Synergy	24	Generation transformation – the amount invested through Synergy should be \$3.0 billion <sup>184</sup>

<sup>175</sup> Answer to additional question 9 asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 16 December 2022, p 9.

<sup>176</sup> Answer to additional question 11 asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 16 December 2022, p 11.

<sup>177</sup> Answer to additional question 13 asked by the Committee and answered by Hon Mark McGowan MLA, Premier; Treasurer, 16 December 2022, p 11.

<sup>178</sup> Hon John Carey MLA, Minister for Housing; Homelessness, letter, 5 May 2023, pp 2-5.

<sup>179</sup> Answer to additional question 1 asked by the Committee and answered by Hon Rita Saffioti MLA, Minister for Transport, 13 January 2023, p 4.

<sup>180</sup> Hon John Carey MLA, Minister for Housing; Homelessness, letter, 5 May 2023, pp 2-5.

<sup>181</sup> Hon John Carey MLA, Minister for Housing; Homelessness, letter, 5 May 2023, pp 2-5.

<sup>182</sup> Govt, *2021-22 Annual Report on State Finances*, 27 September 2022, p 212; Treasury, *Annual Report 2021-22*, 14 September 2022, p 81; & Hon John Carey MLA, Minister for Housing; Homelessness, letter, 5 May 2023, pp 2-5.

<sup>183</sup> Govt, *2021-22 Annual Report on State Finances*, 27 September 2022, p 212; Treasury, *Annual Report 2021-22*, 14 September 2022, p 81; & Hon John Carey MLA, Minister for Housing; Homelessness, letter, 5 May 2023, pp 2-5.

<sup>184</sup> Hon Matthew Swinbourn MLC, Parliamentary Secretary representing the Minister for Energy, Synergy, *transcript of evidence*, 15 March 2023, p 13.

No.	Agency	Page	Error
31.	Synergy	98	Reference to the Mid-year Review is not necessary <sup>185</sup>

[Source: Various annual reports]

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<sup>185</sup> Answer to additional question 3 asked by the Committee and answered by the Hon Bill Johnston MLA, Minister for Energy, 5 April 2023, p 4.

## **Standing Committee on Estimates and Financial Operations**

### **Date first appointed:**

30 June 2005

### **Terms of Reference:**

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

- 3. Estimates and Financial Operations Committee
- 3.1 An Estimates and Financial Operations Committee is established.
- 3.2 The Committee consists of 5 Members, 3 of whom shall be non-Government Members.
- 3.3 The functions of the Committee are to -
  - (a) consider and report on -
    - (i) the estimates of expenditure laid before the Council each year;
    - (ii) any matter relating to the financial administration of the State; and
    - (iii) any Bill or other matter relating to the foregoing functions referred by the Council;
  - and
  - (b) consult regularly with the Auditor General.



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