

Western Australian Auditor General's Report



Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities



Report 12: 2019-20
14 November 2019

**Office of the Auditor General
Western Australia**

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities

Report 12: 2019-20
November 2019



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

AUDIT RESULTS REPORT – ANNUAL 2018-19 FINANCIAL AUDITS OF STATE GOVERNMENT ENTITIES

This report under section 24 of the *Auditor General Act 2006* covers 2018-19 financial audit activity to 5 November 2019 and includes:

- opinions and results of audits on the controls, financial statements and key performance indicators of departments and statutory authorities with reporting dates primarily on 30 June 2019
- opinions and results of audits of corporatised bodies reporting under their enabling legislation, subsidiary bodies and other entities audited as requested by the Treasurer
- audit certifications of financial and statistical information produced by entities to discharge conditions of Commonwealth funding, grants, royalties for regions funding agreements and other legislation
- other matters identified during the 2018-19 audits which are significant enough to bring to the attention of the Parliament relating to the Annual Report on State Finances and operations of individual entities
- recent and upcoming changes to accounting and auditing standards that impact on government financial reporting and accountability.

I wish to acknowledge the assistance provided by the boards of accountable authorities, directors general, chief executive officers, chief finance officers and others during the conduct of the annual financial audit program and in finalising this report.

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
14 November 2019

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Auditor General's overview

This report summarises the results of our annual audits of 137 State government entities mainly for the year ended 30 June 2019.

The number of entities with serious deficiencies requiring a qualified opinion on financial statements, KPIs or controls, reduced from 6 last year to 3 this year. However, it is of continuing concern that too many audit findings reported to management in prior years are not yet addressed.



This year Treasury prescribed a reduced level of detail required in the financial statements of small and medium sized entities. The financial statements are shorter but still provide relevant information to users, and this helps reduce the annual reporting cost burden. I will continue to encourage efforts to streamline financial reporting obligations wherever it does not impair usefulness, accountability and transparency.

It was pleasing to report that, after many years of non-compliance, most relevant entities were much more timely in tabling their statements of corporate intent before, or shortly after the commencement of the 2019-20 financial year.

This report also provides information on selected significant financial transactions made by entities in 2018-19 that we noted during our audits. It also includes selected key financial ratios and information commonly used for assessing financial performance or analysing the financial health of entities. We report this information to provide insight to some of the important transactions considered during the audits.

My audit results reports, and other reports, provide insight to good practice and issues that may be common to several or all entities in the public sector. I encourage management to consider whether they need to re-visit some of these issues at their own entity.

Looking forward, major new accounting standards apply for 2019-20 – Revenue from contracts with customers, Income of not-for-profit entities, and Leases. There are varying degrees of readiness and preparation across the WA public sector for these new accounting standards. I encourage Treasury and entities to place a high priority on preparing for 2019-20 annual financial reporting well in advance.

I wish to thank my staff, our contract audit firm partners and the staff in the audited entities who contributed to this year's audit process for their professionalism, skill and cooperation.

Executive summary

This Audit Results Report contains the findings primarily from the annual financial audits of State government entities with a 30 June 2019 reporting date.

At 5 November 2019, we had completed audits and issued audit opinions for 32 departments, 80 statutory authorities, 12 corporations and 13 other audits.

The *Auditor General Act 2006* (AG Act) requires the Auditor General to audit the financial statements, controls and key performance indicators (KPIs) of all State government entities annually. A clear audit opinion indicates satisfactory financial controls and KPIs, and that the financial statements are materially complete, accurate, comply with relevant legislation and applicable accounting standards and fairly represent performance during the year and the financial position at year end.

Key findings

Audit opinions

(page 9 and Appendix 1, page 44)

- We issued 137 audit opinions for State government entities by 5 November 2019 relating to the 2018-19 financial year, and 141 certification opinions.
- We issued qualified audit opinions to 3 entities for reasons of inaccuracies or deficiencies in their financial statements or KPIs or due to control weaknesses. These entities were: (page 10)
 - Department of Local Government, Sport and Cultural Industries
 - Rottnest Island Authority
 - Western Australian Greyhound Racing Association.
- We have highlighted, through Matter of Significance paragraphs, that the Under Treasurer granted 5 health services approval to not report an audited KPI for emergency department waiting times. (page 11)

Financial reporting, accountability and audit issues

(page 24)

- Reduced financial reporting requirements applied for the first time for entities' 2018-19 reporting. This reduced the reporting burden of most entities. (page 20)
- The impact of the new accounting standard AASB 9 *Financial Instruments* was not material. (page 24)
- Restructured government departments made significant progress during 2018-19 with amalgamating their IT, financial reporting, payroll and other systems. At 30 June 2019, 10 of the 11 Government departments had amalgamated their financial management and payroll systems. Work is still in progress at some statutory authorities. (page 24)
- Entities operating at arm's length from Government tabled their annual Statements of Corporate Intent (SCI) for 2019-20 much earlier than previous years. (page 20)

Annual Report on State Finances

(page 28)

- The Treasurer released the Annual Report on State Finances (ARSF) on 27 September 2019. In this Audit Results Report, we have supplemented the information contained in the ARSF with related information that some readers may find useful.

Selected significant financial transactions and financial ratios (page 33)

- We have summarised significant financial transactions that we noted during our audits and key financial ratios and information that are commonly used for assessing financial performance.
- Dividends paid by public corporations to General Government decreased in 2018-19 compared to the previous year. (page 40)

Management issues (page 13)

- We identified 323 financial management control weaknesses and reported them to entities in 2018-19, an increase from 300 in the previous year. The number of significant issues increased from 35 to 36, while the proportion of unresolved issues decreased from 30% to 20%. (page 14)
- 434 information system control weaknesses were identified and reported to entities in 2018-19 of which 44% were unresolved issues from the previous year. The majority of issues are simple to fix but if not resolved they will leave entities vulnerable to security incidents and disruption to systems. (page 17)
- We reported 44 KPI weaknesses to entities in 2018-19, the same number as last year. Data integrity and collection processes were the main areas for improvement identified during our KPI audits. (page 18)

Quality and timeliness of reporting

- Seventy-two percent of State government entities were ready for their audit within 20 days of year end. Last year this result was 63%. (page 41)
- We have acknowledged the top 40 'best practice' entities for timeliness in their financial reporting, good financial controls and reporting practices. (page 42)

Recommendations

1. All entities should maintain the integrity of their financial control environment by:
 - a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to relevant staff
 - b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments
 - c. regularly monitoring compliance with relevant legislation
 - d. promptly addressing control weaknesses brought to their attention by OAG audits. (page 17)
2. Entities should periodically review their KPIs to ensure that:
 - a. indicators remain relevant, appropriate and fairly present performance against realistic targets
 - b. the KPI manual is periodically reviewed and approved so that KPIs are consistently reported over time and comparable
 - c. results are calculated from reliable and complete data. (page 19)
3. Entities and Treasury should continue to facilitate timely tabling of Statements of Corporate Intent to ensure compliance with legislation. (page 23)
4. Treasury should continue to provide guidance to assist entities with the adoption of new accounting standards in the Western Australia public sector. Entities should continue to make timely preparations for implementation of these new standards. (page 26)

Audit opinions

- We issued audit opinions for 137 State government entities by 5 November 2019 relating to the 2018-19 financial year, and 141 certification opinions.
- Three entities received qualified audit opinions.

Introduction

The *Financial Management Act 2006* governs financial accountability of most State government entities while the *Auditor General Act 2006* governs the activities and role of the Auditor General.

The Auditor General is required to issue an opinion to the responsible Minister for each State government entity audited. Entities include the audit opinion in their annual report.

The opinion relates to the financial statements and, depending on each entity's enabling legislation, may also relate to controls and key performance indicators (KPIs):

- financial statements – assurance that the financial statements and supporting notes are materially complete, accurate, reliable and comply with relevant legislation and applicable accounting standards
- controls – assurance that the internal control systems and procedures are adequate, and ensure that financial transactions comply with legislative requirements
- KPIs – assurance that the KPIs are relevant, appropriate, based on reliable data, and fairly present the performance of the entity in achieving its desired outcomes.

It should be noted that the audit opinions relate to historical information reported in the financial statements and KPIs and are not predictive of future expectations.

Summary of audit opinions

At 5 November 2019, we had issued audit opinions for 137 State government entities, primarily with financial periods ending on 30 June 2019. Appendix 1, commencing on page 44, is a table of all the audit opinions issued since 8 May 2019.

Audit opinion issued on	Type of entity	Number
Financial statements, controls and KPIs	Departments	32
	Statutory authorities	80
Financial statements only	Annual Report on State Finances	1
	Corporatised entities	12
	Subsidiary entities	10
	Request audits	2
TOTAL NUMBER OF AUDIT OPINIONS ISSUED		137

Table 1: Number and type of audit opinions issued between 8 May 2019 and 5 November 2019

Other audit services

In addition to entity opinions, we also issued 141 certifications.

Appendix 2 (page 49) details the 20 certifications we issued on the financial and statistical information produced by entities to discharge reporting obligations for Commonwealth grants

or under other legislation. The certifications for 121 Royalties for Regions program grants issued up to 5 November 2019 are listed in Appendix 3 (page 51).

Qualified opinions

We issue a qualified opinion on an entity's audited financial statements or KPIs if we consider it is necessary to alert readers to inaccuracies or limitations. If we issue a qualified opinion on controls, it is because we consider a financial control deficiency makes the entity non-compliant with legislation.

Three entities received qualified opinions:

Department of Local Government, Sport and Cultural Industries Qualified opinion on controls

We identified significant weaknesses in the Department's general computer controls which could result in inappropriate and unauthorised access to their financial system. This access could be used to override management controls preventing fictitious or fraudulent transactions and could undermine the integrity of data. However, our audit testing did not detect any inappropriate or fraudulent transactions.

Rottnest Island Authority Qualified opinion on controls

During 2018-19 the Authority implemented controls to address the system weaknesses that led to a controls qualification in 2017-18. However, key controls over the review of audit logs for changes to hire and accommodation rates were not implemented until February 2019. We also found that until April 2019, discounts could be made to accommodation, bike and equipment hire and other miscellaneous revenue without detection. While our testing did not identify any inappropriate changes to rates or discounts, relevant controls over rate changes and discounts were not adequate throughout 2018-19.

Western Australian Greyhound Racing Association Qualified opinions on financial statements and KPIs

In prior years, grants the Association received from Racing and Wagering Western Australia to fund construction costs for the new Cannington track were not recognised as revenue in accordance with Australian Accounting Standard AASB 1004 – *Contributions*. Instead, these grants were recorded as 'Non-Current Liabilities – Payables', with revenue being recorded progressively over the life of the asset.

As a result, for the year ended 31 July 2019, 'Non-Current Liabilities – Payables' are overstated by \$14,837,879 in 2019 and \$15,356,037 in 2018. Retained Earnings are understated by the same amount for each respective year. In addition, 'Grants and subsidies received from State Government' in the Statement of Comprehensive Income is overstated by \$518,158 for 2019 and \$671,311 for 2018. We therefore issued a qualified opinion on the financial statements.

In addition, the Association did not report the key effectiveness indicator 'Attendance at Race Meetings'. We therefore issued a qualified opinion as the Association did not report results for all KPIs approved by the Under Treasurer.

Matters of Significance in auditor's reports

Where a matter in relation to the financial statements or KPIs is undisclosed or not apparent in the financial statements or KPIs, we may include a Matter of Significance paragraph in our auditor's report.

Entity	Details of Matter of Significance
Child and Adolescent Health Service, East Metropolitan Health Service, North Metropolitan Health Service, South Metropolitan Health Service WA Country Health Service	<p>Our audit reports highlighted that the 4 metropolitan health services and WA Country Health Service have approval to not report emergency waiting times as an audited KPI.</p> <p>The Under Treasurer granted approval to not report as an audited KPI 'Percentage of Emergency Department patients seen within recommended time'. The approval was conditional on unaudited KPIs being included in annual reports until implementation of a new Emergency Department data collection system. There is currently no set timeframe for implementation of a new system.</p> <p>The existing systems are designed to assist with prompt and effective treatment of patients, but not necessarily for accurate recording of waiting time data.</p>
Department of Primary Industries and Regional Development	<p>The <i>Biosecurity and Agriculture Management Act 2007</i> requires the Western Australian Agriculture Authority's (WAAA) activities to be regarded as services under the control of the Department. Consequently, the Department has included WAAA's income, expenses, assets and liabilities in its financial statements.</p> <p>We have highlighted this in the auditor's report so that readers are aware of this arrangement, as the Department's financial statements do not separately identify WAAA's transactions.</p>

Table 2: Matter of Significance comments included in auditor's reports

Emphasis of Matter paragraphs in auditor's reports

If a matter is appropriately presented or disclosed in the financial report but, in our judgement, is of such importance that it should be drawn to the attention of Parliament, we may include an Emphasis of Matter paragraph in our auditor's report. The following list describes the more noteworthy matters that we highlighted through Emphasis of Matter paragraphs.

Entity	Description of Emphasis of Matter paragraphs
Electricity Generation and Retail Corporation (Synergy)	<p>Impairment loss and onerous contract</p> <p>The financial report disclosed that the Group has recognised an impairment loss of \$428.9 million against the electricity cash generating unit. Also, the notes disclosed that the Group has recognised a provision for an onerous contract of \$152.4 million.</p> <p>Contingent liability</p> <p>The financial report described the status of the investigation by the Economic Regulation Authority into the Corporation's pricing in balancing submissions made in the Western Australian Wholesale Electricity Market.</p>
Pilbara Ports Authority	<p>Prior period error</p> <p>The financial statements stated that the fair value of the Port Hedland channel at 1 July 2017 was understated by \$419.7 million. Consequently, the depreciation has also been understated since 2017. This prior period error has been corrected by restating each of the affected financial statement line items for prior periods.</p>

Table 3: Selected Emphasis of Matter paragraphs in auditor's reports

Prior year qualified opinions removed in 2018-19

The following qualifications were removed:

Commissioner for Children and Young People – qualified opinion on a KPI

The 2017-18 opinion was qualified as attendance numbers at events used in 1 KPI could not be verified. The Under Treasurer granted approval for the Commissioner to not report this KPI for 2018-19. The qualification was therefore removed.

Department of Justice – qualified opinion on a KPI

From March 2018 and for the full 2018-19 year appropriate records at all relevant correctional facilities supported the Department's key effectiveness indicator 'Average Out of Cell Hours – Adult'. Narrative to the KPI detailed the limitation on comparability with prior years' results, and we have removed the qualification on KPIs.

Department of Local Government, Sport and Cultural Industries – qualified opinion on KPIs

The Department has received the Under Treasurer's approval to remove the outcome, service and associated indicators relating to the State Information Management and Archival Service. Consequently, the 2017-18 qualified opinion for not reporting the related KPI has been removed.

Department of Water and Environmental Regulation – qualified opinion on controls

During 2018-19 the Department sufficiently addressed the significant weaknesses in general computer controls we identified last year. As the risks associated with these control weaknesses have been significantly reduced, we have removed the qualification on controls.

2018-19 financial statement audits not undertaken

Three entities were not audited for the 2018-19 year.

We dispensed with these audits under section 14 of the AG Act because the operations of the entities have ceased or there was insufficient activity to justify undertaking an audit. We dispensed with the audits after consultation with the Treasurer.

Entity	Reason why audits dispensed
Landcare Trust (inactive since 2004)	The Trust ceased to operate in 2004 and holds no funds. Legislation to repeal Part VA of the <i>Soil and Land Conservation Act 1945</i> , which created the Trust, is required. The Department of Primary Industries and Regional Development now administers this legislation.
State Supply Commission (inactive since 2009)	The Commission's functions and records were transferred in June 2009 to the Department of Finance. The <i>State Supply Commission Act 1991</i> has not been repealed.
Western Australian Building Management Authority (inactive since 2009)	The Authority ceased to operate in 2009 and is awaiting repeal of its legislation, Part 1A of the <i>Public Works Act 1902</i> . The Department of Finance holds its records.

Table 4: 2018-19 audits dispensed under section 14 of the AG Act

Since the entities ceased operation, we have completed audits every 3 years. The latest audit was for the 2017-18 financial year. If these entities are not abolished in the next 2 years, we will next perform an audit for 2020-21, as required by section 14(5) of the AG Act.

Management issues

- We identified 323 financial management control weaknesses and reported them to entities in 2018-19, an increase from 300 in the previous year. The number of significant issues increased by 1 to 36, while the proportion of unresolved issues decreased from 30% to 20%.
- 434 information system control weaknesses were identified and reported to entities in 2018-19 of which 44% were unresolved issues from the previous year. The majority of issues are simple to fix but if not resolved they will leave entities vulnerable to security incidents and disruption to systems.
- We reported 44 KPI weaknesses to entities in 2018-19, the same number as last year. Data integrity and collection processes were the main areas for improvement identified during our KPI audits.

Control environment

Responsibility for developing and maintaining adequate systems of internal control rests with entity management. These control systems reduce the risk of error and fraud, and provide assurance to management and auditors that management reports and financial statements are materially correct. Maintaining adequate internal control ensures:

- financial information and other records, including data for KPIs, are accurately maintained
- assets are appropriately safeguarded
- errors and other irregularities are prevented or detected
- compliance with legislation and policy guidelines
- internal and external financial and non-financial performance reporting is reliable and timely.

The AG Act requires the Auditor General to audit entity accounts and, in the case of entities operating under the FM Act, to also form an opinion on their financial controls. This involves, as a minimum, an assessment of the design and implementation of relevant financial management and reporting controls.

Details of our control findings are included in management letters to the Accountable Authority. We rate control weaknesses according to their potential impact and base our ratings on the audit team's assessment of risks and concerns about the probability and/or consequence of adverse outcomes if action is not taken. We consider the:

- quantitative impact – for example, financial loss
- qualitative impact – for example, inefficiency, non-compliance, poor service to the public or loss of public confidence.

Risk category	Audit impact	Management action required
Significant	Control weaknesses that potentially present a significant financial or business risk to the entity if not addressed promptly. These significant risk findings impact: <ul style="list-style-type: none"> likelihood of material misstatement in the financial report ability to achieve objectives or comply with legislation. 	Priority or urgent action by management to correct the material misstatement in the financial report to avoid a qualified opinion or for control risks, implement a detailed action plan as soon as possible, within 1-2 months.
Moderate	Normally matters requiring system or procedural improvements or low risk matters from previous audits that have not been satisfactorily resolved. These moderate risk findings include: <ul style="list-style-type: none"> misstatement in the financial report that has occurred, although not material ongoing system control weakness which could or is having a moderate adverse effect of achieving objectives or legislative compliance. 	Control weaknesses of sufficient concern to warrant action being taken as soon as practicable, within 3 to 6 months. If not addressed promptly, they may escalate to significant or high risk.
Minor	Isolated occurrences, non-systemic or procedural control weaknesses that are administrative shortcomings. Minor weaknesses which are not of primary concern but still warrant action being taken.	Management to implement an action plan within 6 to 12 months to improve existing process or internal control.

Table 5: Risk categories for control weaknesses reported to management

We give entity management the opportunity to review our audit findings and provide comments prior to completion of the audit. Often management improves policies, procedures or practices after we raise them and before the audit is completed. At the completion of each audit, we send a copy of our management letter to the responsible Minister along with the audit opinion.

When management responds to control weaknesses, we request that they set a timeframe for remedial action to be completed. Most entities set themselves challenging timeframes for remedial action, and generally meet those timeframes. It is however disappointing that some entities do not remedy control weaknesses in a timely manner – this year, 20% of our financial control findings and 44% of information system control findings were unresolved findings from the previous year.

While our management letters relate specifically to an individual entity, the weaknesses are often common to other government entities. The following is a summary of control weaknesses identified during 2018-19.

Financial and management controls

During 2018-19, we alerted 75 entities to control weaknesses that needed their attention. At the conclusion of our audits, responsible Ministers received advice of these deficiencies.

In total, we reported 323 control weaknesses to management at entities. This was higher than the 300 reported in the previous year. The number of issues we rated as significant increased by 1, from 35 to 36. (Figure 1).

However, it was disappointing to note that 65 control weaknesses (20%) at 22 entities were unresolved from the prior year.



Figure 1: Ratings of financial and management control weaknesses reported to entities – by number and percentage

Figure 2 shows a breakdown of the categories of control weaknesses identified for the last 4 years. Expenditure control weaknesses again represented the highest proportion, followed by weaknesses in payroll and human resource management controls.

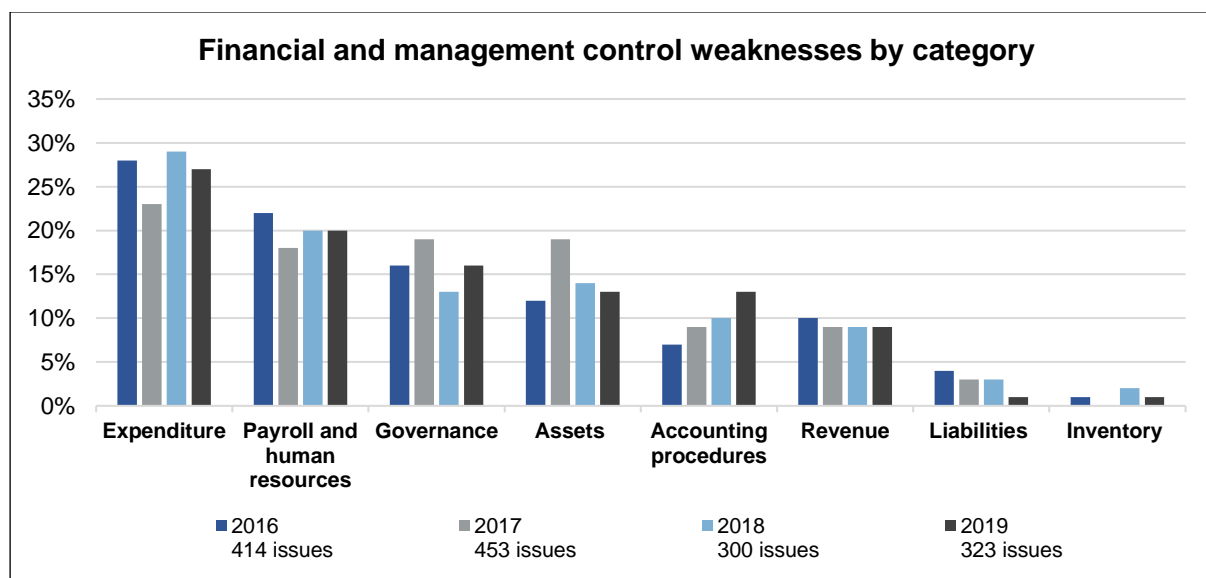


Figure 2: Financial and management control weaknesses for last 4 years

The 4 main areas of control weaknesses are expenditure, payroll and human resources, governance and assets.

Following are examples of control weaknesses:

Expenditure

We reported 86 expenditure control weaknesses to 35 entities in 2018-19. Eight were rated as significant and 19 weaknesses were unresolved from the prior year.

Thirty-four (40%) of the expenditure control weaknesses related to use of purchasing cards contrary to the entity's policies and procedures. Our testing found instances where:

- purchasing card statements and supporting transaction documents were not submitted by the cardholder before the payment due date for review and approval
- staff exceeded their approved limits or expenditure categories
- another staff member used the card while the cardholder was absent or on leave
- 11 entities did not promptly cancel the purchasing card held by a cardholder who ceased employment.

Other expenditure control weaknesses included procurement procedures not being routinely implemented. There were instances where purchase orders were prepared after the suppliers' invoices and goods had been received. In some entities staff were not seeking quotes (where required) or not completing purchase orders to start the ordering process and accountability trail. Sometimes quotes were received but evidence was not retained.

Payroll and human resources

Sixty-four payroll and human resource control weaknesses were reported to 25 entities. Nine rated as significant and 14 were unresolved from the previous year. It is essential that the human resource management and payroll functions are managed effectively, as employee benefits are a major cost for public sector entities. Our payroll controls audits identified the following weaknesses:

- Responsible managers were not promptly reviewing and returning their business unit cost centre payroll reports prior to payroll distribution. Business unit managers are better placed to identify payments to their staff on leave, leave without pay, acting on higher pay, no longer employed or employees who are unknown to them or not employed in their business unit. Early notice of any errors can be actioned promptly to avoid making invalid salary payments. Our audits also found instances where staff were certifying payroll reports for their own pay, rather than a more senior staff member or manager.
- At 10 entities we found that commencement and termination procedures were not completed appropriately, and in some instances the policies and procedures needed to be improved. The control weaknesses included delays in communicating the start and termination information of employees to the payroll section which meant delays in processing these changes. We advised 9 entities that their termination procedures required improvement to ensure that outgoing employees return all entity property, attractive assets, purchasing cards and security passes, and have their access to systems withdrawn.
- 10 entities' employee leave application procedures and reporting processes need improvement to ensure that leave taken is recorded in each employee's record. For financial reporting, the correctness of an entity's leave liability depends on the accuracy of its employees' outstanding leave entitlements. Accurate and up-to-date employee records are also required to calculate an employee's final leave entitlement payment when their employment ceases.

Governance

During our audits we identified 53 governance and legal compliance issues at 37 entities. Twelve were unresolved from the previous year.

We reported to 11 entities where they were not fully compliant with a section of the *Financial Management Act 2006*. These included the requirement to report estimates in their financial reports, the need to review or update their financial management policies, or prepare or update their risk management strategy and plan. Documentation of the entity's current policies and procedures provides guidance to management and staff and reduces the likelihood of transactions being inadequately controlled or performed.

Assets

We reported 42 asset management weaknesses to 19 entities. Five rated as significant and 6 were unresolved from the previous year.

At 8 entities the fixed asset or portable and attractive asset registers did not contain complete and accurate information of all assets currently held. Identifying assets was more difficult where unique identification tags were not secured to the assets or there were insufficient descriptions or model and serial numbers recorded to identify individual asset items.

Some completed works were not transferred from work-in-progress to property, plant and equipment, or were not properly valued at 4 entities. This then impacted on the depreciation expense of the entities.

Recommendations

1. All entities should ensure they maintain the integrity of their financial control environment by:
 - a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to relevant staff
 - b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments
 - c. regularly monitoring compliance with relevant legislation
 - d. promptly addressing control weaknesses brought to their attention by OAG audits.

Information systems controls

Information systems underpin most aspects of entity and government operations and services. It is therefore important that entities implement appropriate controls to maintain reliable, secure and resilient information systems.

Audits of general computer controls are a major part of work we undertake to assess the effectiveness of information system controls. Well implemented and managed general computer controls ensure reliable and secure processing of financial and key performance information. We focus our information systems audit capacity on those entities with significant computer environments to determine whether their controls are appropriately designed and operating effectively.

In 2018-19, we identified 434 weaknesses across 41 entities. Last year, we reported 438 findings at 33 entities. Three per cent of the issues were rated as significant and 62% were rated as moderate requiring action as soon as possible. The other 35% were rated as minor.

Figure 3 shows the percentage of total findings made against our 6 categories of control risk. Eighty-four percent of weaknesses we identified this year related to information technology (IT) operations (48%) and information security (36%). These 2 categories accounted for 83% of the findings last year. IT operations findings decreased this year by 2% while there was a 1% reduction in IT risk management and business continuity findings. Information security findings increased by 3% and there was a 1% increase in change management findings. The distribution of findings in the physical security category was similar to last year. We continue to find that many of these weaknesses are relatively simple to fix, and if not resolved they leave entities potentially vulnerable to significant disruption and costs.

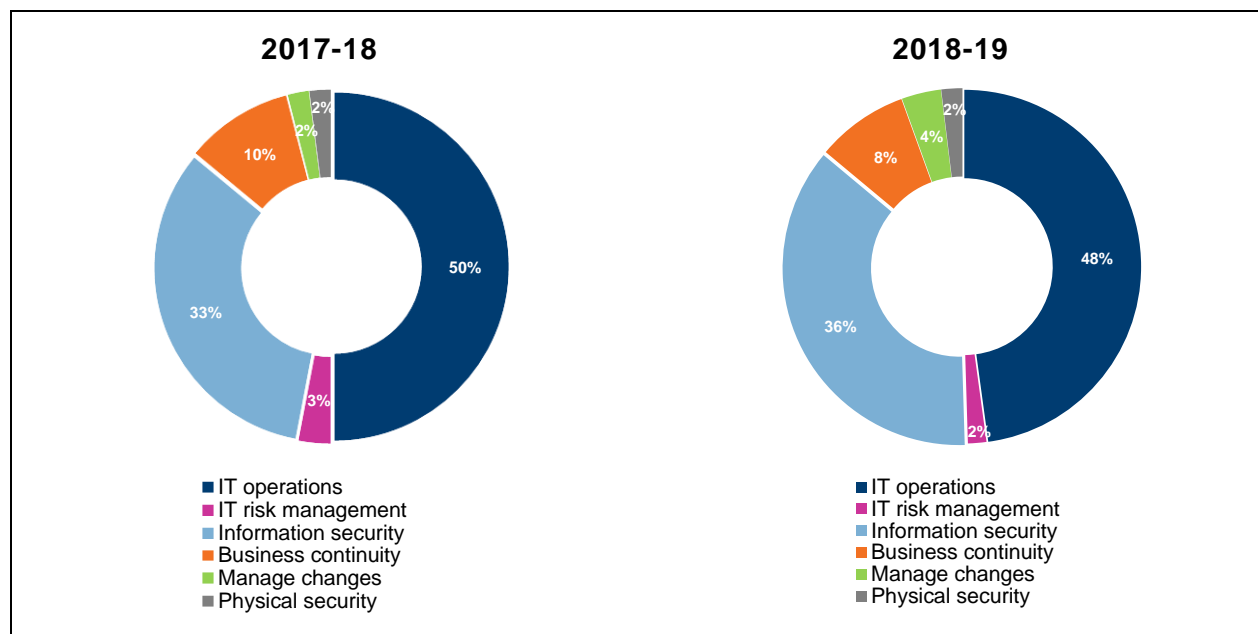


Figure 3: Information systems control issues by category

A more detailed report on the results of our information system audits is planned for the first quarter of 2020. The report will consolidate the results of audits of entities with a 30 June 2019 reporting date and upcoming work on entities with a 31 December 2019 reporting date.

Key performance indicators

As shown in Table 6, in 2018-19 we reported 44 KPI weaknesses to management at entities, the same number as last year. The number of qualified KPI audit opinions decreased from 4 to 1.

Almost all of the 44 weaknesses need prompt or urgent attention by entities.

KPI shortcomings and qualifications	2015-16	2016-17	2017-18	2018-19
Number of entities with KPI weaknesses	20	20	13	26
Number of KPI weaknesses reported	31	43	44	44
Number of KPI weaknesses rated as significant	15	20	16	18
Number of entities with qualified KPI opinions	2	5	4	1

Table 6: Summary of KPI weaknesses reported to entities

Figure 4 shows that data integrity and collection is the key area needing improvement.

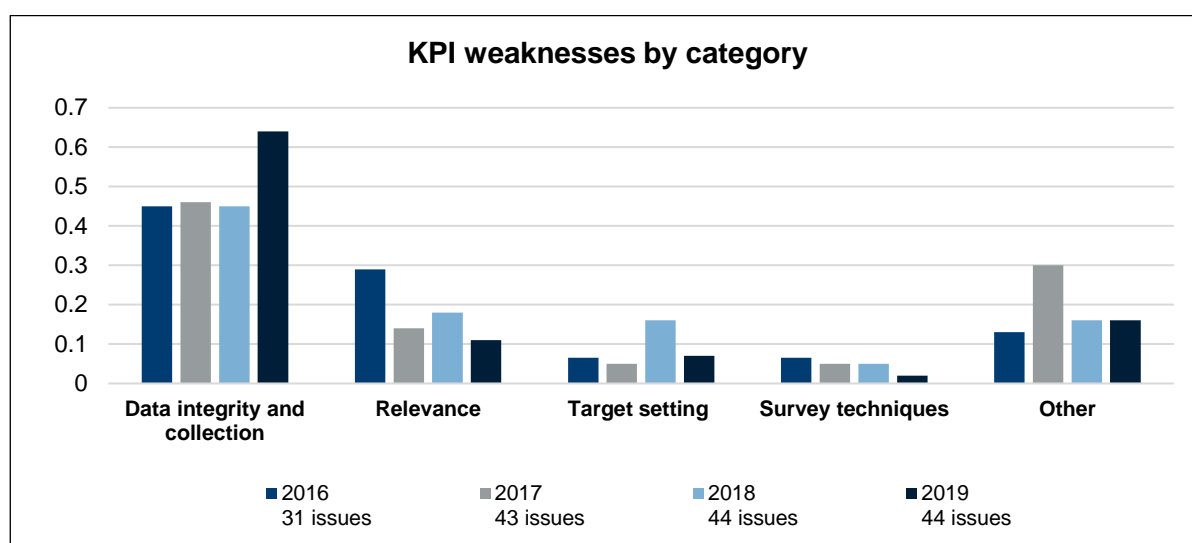


Figure 4: KPI control weaknesses for last 4 years

We reported 28 control weaknesses relating to data integrity and collection to 18 entities. Fourteen rated as significant. The weaknesses included:

- dates and/or times were not accurately entered at source or from source documents. This resulted in the KPIs being calculated from data that was not consistent with the supporting records.
- some data was not accurate or not easily auditable, especially where collected by third parties.

All data recorded by entities needs to be accurate, reliable and verifiable in order to measure and report the entity's achievement of their outcomes.

Three entities need to re-assess the appropriateness of their KPI targets. Management's annual KPI review of performance needs to set future targets that are challenging, realistic and encourage improvement. Targets that are repeatedly achieved without re-setting are especially in need of management attention.

At 4 entities, there was no KPI instructions setting out the KPI methodology, any assumptions made, sources of data, preparation procedures and calculation of each indicator. It is important that KPIs can be assessed by their trend over a number of years. Entity staff in any year need to prepare KPIs consistently with those prepared in previous years. Management approved KPI instructions are a valuable tool for achieving comparable and accurate KPIs across different performance periods.

Recommendations

1. Entities should periodically review their KPIs to ensure that:
 - a. they are calculated from reliable and complete data
 - b. they remain relevant, appropriate and fairly present performance against realistic targets
 - c. the KPI instructions are periodically reviewed and approved so that KPIs are consistently reported and comparable.

Improved reporting

Two matters that improved some entities' reporting in 2018-19 are:

- reduced disclosure reporting by entities for the first time
- improved timeliness in tabling of 2019-20 Statements of Corporate Intent.

Reduced disclosure reporting by Tier 2 entities

The reduced disclosure requirements prescribed by AASB 1053 *Application of Tiers of Australian Accounting Standards*, have been included in Treasurer's Instruction 1107 *Application of Tiered Reporting – Reduced Disclosure Requirements* (TI 1107) for Tier 2 entities. This applied for the first time for 2018-19 financial reporting. The same recognition and measurement requirements apply to all entities, but Tier 2 entities have fewer detailed disclosure requirements in the notes to the financial statements.

TI 1107 applies to departments and all statutory authorities listed in Schedule 1 of the *Financial Management Act 2006* – a total of 125 entities. Currently TI 1107 lists 28 entities as Tier 1 reporting entities, and the other 97 therefore may adopt Tier 2 reduced disclosure reporting, while 3 also need to comply with an accounting standard applicable to their specific operations.

The required level of detail in Tier 2 entities' general purpose financial statements is reduced so that the reports are shorter but still provide relevant information to users. A number of disclosure notes have been reduced in detail, without impacting the usefulness and understandability of the financial statements for users. Examples are the notes on financial instruments and the annual leave and long service leave provisions. Entities may include additional disclosures based on their judgement of user needs.

Model financial statements for Tier 2 reporting were provided by the Department of Treasury (Treasury) as a guide for entities' 2018-19 financial reporting.

These reduced disclosure requirements apply to all future financial reporting by the entities. This will make preparation of annual financial statements less onerous and reduce entities' annual reporting cost burden.

Our office has championed reducing the burden of small entities' financial reporting for many years. We commend Treasury for its timely take-up of AASB 1053 for public sector reporting in Western Australia in 2018-19. Wherever it does not impair usefulness, accountability and transparency, we continue to encourage efforts to streamline financial framework obligations for entities.

Improved timeliness of tabling 2019-20 Statements of Corporate Intent

Eight of the 21 entities required to have their annual Statements of Corporate Intent (SCI) tabled in Parliament achieved this objective before the beginning of the financial year to which they relate. A further 12 SCIs were tabled in the first 2 months of 2019-20. This is a significant improvement on prior years. Achieving this improvement across the whole sector consistently each year for the future is strongly encouraged.

Why are SCIs important?

There are 21 State entities that operate outside the Government's budget process and prepare an SCI which is required to be tabled by their Minister before or early in the financial year.

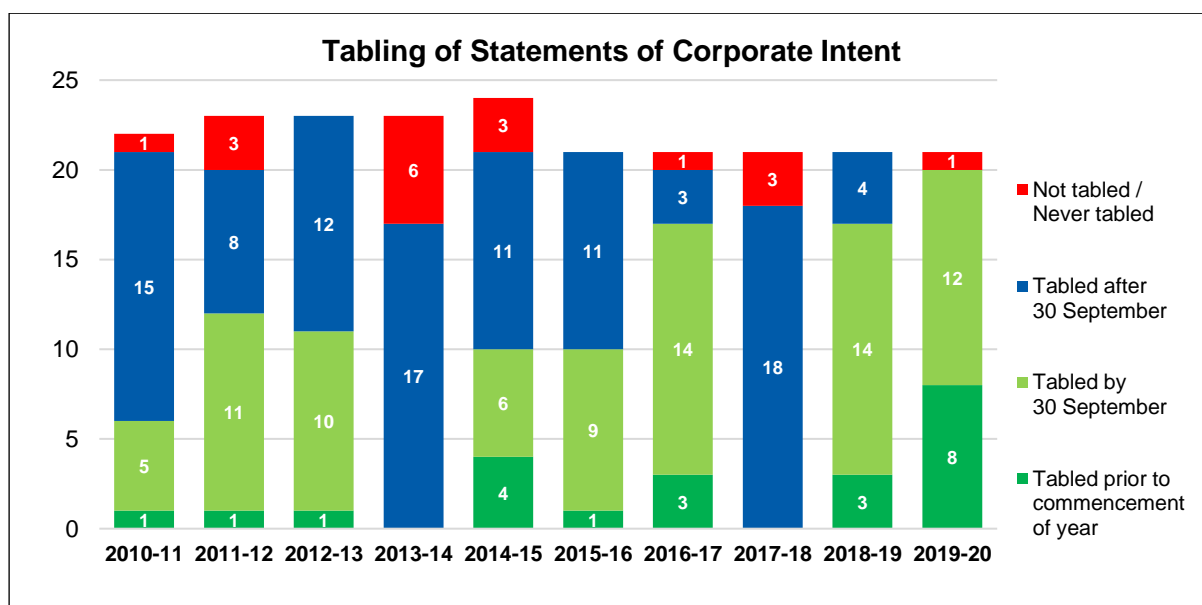
SCIs are a form of annual agreement between the entities listed in Table 7 and the Government, and are an important governance and accountability mechanism. These 'self-funded' entities operate at arm's length from Government. Until their SCIs are tabled, key information about their future budgets, planning and direction is not available for parliamentary or public scrutiny.

SCI information varies with each entity's legislation, but generally includes:

- an outline of objectives and major planned achievements for the next financial year
- nature and scope of functions proposed to be performed during that year
- performance targets and other measures by which performance may be judged
- an outline of capital expenditure, proposed borrowings, pricing arrangements and dividend policy
- accounting policies that apply to the preparation of financial statements
- types of information to be given to their Minister, including periodic and annual reporting
- nature and extent of community service obligations to be performed, costing and funding of these activities and any compensation arrangements
- other matters agreed on by the Minister and the Board.

The 2019-20 SCIs were tabled earlier than in past years

We have reported to Parliament on the late or non-tabling of SCIs for the past 20 years. Figure 5 shows the tabling achievements for the last 10 years. It is pleasing that all 2018-19 SCIs were tabled before or during that year. Even more pleasing is the earlier tabling of SCIs for 2019-20, an achievement that we hope to report in future years.



Source: Data collated by OAG from Parliament's Tabled Papers

Figure 5: Ten year history of the tabling of SCIs

Table 7 shows the SCI tabling dates for the various entities for the last 3 years.

	2017-18 SCI tabled	2018-19 SCI tabled	2019-20 SCI tabled
Corporatised entities			
Bunbury Water Corporation	11/12/2017 *	28/08/2018	27/06/2019
Busselton Water Corporation	11/12/2017 *	28/08/2018	27/06/2019
Horizon Power – Regional Power Corporation	21/11/2017	20/09/2018	01/08/2019 *
Synergy – Electricity Generation and Retail Corporation	10/04/2018	24/07/2018 *	15/08/2019
Water Corporation	11/12/2017 *	28/08/2018	19/07/2019 *
Western Australian Land Authority (Landcorp)	Not tabled	07/01/2019 *	08/08/2019
Western Power – Electricity Networks Corporation	28/11/2017	20/07/2018 *	14/08/2019
Statutory authorities			
Chemistry Centre (WA)	11/01/2018 *	11/09/2018	18/07/2019 *
Forest Products Commission	11/12/2017 *	11/09/2018	23/07/2019 *
Gold Corporation	19/10/2017	26/10/2018 *	28/06/2019 *
Government Employees Superannuation Board	21/11/2017	28/06/2018	18/06/2019
Insurance Commission of Western Australia	21/11/2017	28/06/2018	28/06/2019 *
Lotteries Commission	31/10/2017	19/06/2018	20/06/2019 *
Racing and Wagering Western Australia	Not tabled	30/10/2018	Not tabled
Western Australian Land Information Authority (Landgate)	08/11/2017	12/09/2018	25/06/2019
Western Australian Treasury Corporation	Not tabled	09/10/2018	25/06/2019
Port authorities			
Fremantle Port Authority	12/09/2018	21/08/2018	21/08/2019
Kimberley Ports Authority	26/06/2018	21/08/2018	21/08/2019
Mid West Ports Authority	26/06/2018	21/08/2018	21/08/2019
Pilbara Ports Authority	26/06/2018	12/09/2018	21/08/2019
Southern Ports Authority	26/06/2018	21/08/2018	21/08/2019

Source: Data collated by OAG from Parliament's Tabled Papers

* Deemed tabled – Date the SCI was received by the Clerk of the Parliament when Parliament was not sitting.
Highlighting represents SCIs that were tabled before commencement of the year.

Figure 7: Dates SCIs tabled in Parliament

Note: The late State Budget on 7 September 2017 impacted on tabling of 2017-18 SCIs.

What are the requirements?

Entities are required by their Act or regulations to draft the annual SCI, which is consistent with their Strategic Development Plan (SDP), for agreement with their Minister and, in most instances, with concurrence of the Treasurer. The agreement process can include

negotiations between the entity, the Minister and the Treasurer, with the Minister responsible for tabling the SCI in Parliament within 14 days of it being agreed.

Tabling requirements vary slightly between entities but generally SCIs are either required or expected to be tabled before the commencement of the financial year or early in the financial year to which they relate. Where the Minister has not agreed or the Treasurer has not concurred, then the latest draft SCI takes effect. However, tabling of the SCI does not take place until full agreement is reached.

Recent actions and current Treasury activity

Reports from the Government's Service Priority Review (October 2017) and Special Inquiry into Government Programs and Projects (February 2018) reported that a higher degree of consistency and rigour was required around SCI and SDP approvals for government trading enterprises (GTEs). Further, the April 2019 report of Parliament's Joint Audit Committee also recommended that GTEs' governance and accountability be improved.

In response to the recommendations made, Treasury advised in October 2019 that it –

'has established a GTE Reform Program to develop a framework, which provides standardised governance, accountability and oversight structures, through a combination of legislative reform, administrative orders, ministerial responsibilities and performance monitoring. Treasury has also established the GTE Governance and Oversight Unit (GOU) to engage directly with in-scope GTEs as it progresses the non-legislative aspects of the framework in parallel to the legislative drafting process.'

Treasury continues to seek more timely tabling of SCIs, although notes that some tabling delays occur outside of their direct influence. One being that it is the responsibility of the portfolio Minister to ensure that each SCI addresses matters of importance to the Treasurer in order to facilitate timely concurrence. Others factors are timing of the State Budget (typically May, but September in 2017), Government policy decisions and ministerial availability.

Recommendation

1. Entities and Treasury should continue to facilitate timely tabling of SCIs to ensure compliance with legislation.

Response from Treasury

Treasury notes the improved performance of GTEs in 2018-19 with the tabling of SCIs by 30 September being the best outcome over the period since 2010-11.

Other financial reporting, accountability and audit matters

This part of the report details matters of current significance and legislative compliance:

- entities' first time adjustment for the new standard for reporting financial instruments, AASB 9
- restructured government departments' progress with amalgamating IT systems
- future impact of changes to auditing and accounting standards
- verifying eligibility for pensioner rebate schemes
- entity reporting of building cladding remediation
- emerging issue of entity's reporting climate-related risks.

Entities' first time adjustment for new standard AASB 9

Entities adopted accounting standard AASB 9 *Financial Instruments* for the first time in their 30 June 2019 financial reporting. AASB 9 replaced AASB 139 *Financial Instruments: Recognition and Measurement*.

The new standard changes the classification and measurement of financial assets and requires earlier recognition of provisions for bad and doubtful debts based on expected credit losses. Reclassifications were made at 1 July 2018. Accounting for impairment losses for financial assets from 1 July 2018 also changed.

Application of AASB 9, its impact and any adjustments made by each entity were included in their 2018-19 audited financial statements. In general any impact reported was not material and no adjustment was made.

The overall impact on the State's whole-of-government accounts, presented in the Annual Report on State Finances¹, was also not considered material.

Restructured government departments' progress with amalgamating IT systems

The 2017 Machinery of Government (MOG) changes gazetted the amalgamation of 27 departments and 17 statutory authorities into 11 new departments from the start of the 2017-18 financial year. Some departments were abolished and their staff resources, and those of several statutory authorities, were transferred to the 11 newly created departments.

The statutory authorities are required to continue preparing an annual financial report, including audited financial statements, until relevant legislative changes are made. However, the task of merging the financial, human resources/payroll and administrative systems of the constituent entities has progressed. At 30 June 2019:

- 16 statutory authorities remain separate legal entities under their own enabling legislation. The financial management systems of 6 of these statutory authorities remain separate. The payroll systems of 3 have been amalgamated with their

¹ Note 34 of the 2018-19 Annual Report on State Finances details the initial application of AASB 9

respective department, while the remaining 3 continue to operate their own payroll systems

- 10 of the 11 new departments have completed the transition of their previous departments and now operate and report from one financial management system and one payroll system. The Department of Primary Industries and Regional Development (DPIRD) has commenced with the transition and has advised that tenders for a finance system and an HR system will be issued before the end of 2019, with transition expected to commence in early 2020.

Future impact of changes to accounting standards

The following new and revised standards issued by the Australian Accounting Standards Board (AASB) require close attention by Treasury, entity CFOs and our audit staff.

For public sector entities and other not-for-profit entities these standards apply from 1 January 2019, except for AASB 1059 which has been deferred by 1 year. This means they will apply for the 2019-20 reporting year, or at 31 December 2019 for universities and TAFEs and entities with calendar year reporting.

- **AASB 15 – Revenue from Contracts with Customers** – This standard requires entities to recognise revenue at a point in time or over time, as applicable, as they fulfil the performance obligations of an enforceable contract.
 - An example for government entities is receiving grant moneys. Entities need to allocate the grant amount to each performance obligation in the contract and recognise the revenue only when the related performance obligations are satisfied. In the instance, however, where a grant is received for construction of an asset, the full value of the grant should have been recognised as revenue by the time the constructed asset is put into operation.
 - Not-for-profit public sector entities that receive revenue from the issue of licences received guidance through the Board's amending standard AASB 2018-4, released in September 2018.
- **AASB 1058 – Income of Not-for-Profit Entities** – This standard, in combination with AASB 15, establishes new principles for income recognition for not-for-profit entities. AASB 1058 applies to transactions where assets are acquired at significantly less than fair value.

It is anticipated that the implementation of these 2 standards may result in more delayed income recognition. However, the applicability across the Western Australian public sector will need to be further considered by Treasury and guidance issued to support implementation, as appropriate.

- **AASB 16 – Leases – For lessees**, this standard removes the distinction between operating leases and finance leases, and requires all leases (except short-term leases and leases of low-value assets) to be recognised as lease assets and lease liabilities on the balance sheet. This will result in the grossing-up of the balance sheet and higher expense in the early years of the lease term.

Treasury has issued several circulars to provide accounting policy positions and guidance to assist entities implement this standard on leases when it applies for their 2019-20 reporting year.

- **AASB 1059 – Service Concession Arrangements: Grantors** – This standard is applicable to public sector entities (grantors) that enter into service concession arrangements with sector operators. It requires grantors to recognise a service concession asset and, where applicable, a service concession liability on the balance

sheet. The initial balance sheet accounting, as well as the ongoing income statement impacts, will have implications for grantors and for whole-of-government reporting.

During 2018, implementation of AASB 1059 was deferred, and it will now apply for years beginning on or after 1 January 2020 (2020-21 reporting year).

We acknowledge that there are varying degrees of readiness and preparation across entities for these new accounting standards. We are preparing and training financial audit staff in the new and revised requirements and updating relevant audit policies and procedures. We continue to encourage Treasury to carefully consider applicability to the Western Australian public sector and provide early advice and guidance to entities to streamline adoption appropriate for the Western Australian public sector accountability environment.

Recommendation

1. Treasury should continue to provide guidance to assist entities with the adoption of new accounting standards in the Western Australian public sector. Entities should continue to make timely preparations for implementation of these new standards.

Verifying eligibility for pensioner rebate schemes

Legislation or regulations may authorise government entities to offer eligible pensioners and seniors a rebate of part of their fees and charges. This may be for an ongoing rebate each billing or annual cycle or for a one-off fee or charge. In all instances an application would need to be received from the pensioner and assessed by the entity against the established eligibility criteria prior to the rebate being given. Entities' processes for determining initial and ongoing eligibility should follow their approved policies and procedures.

Water Corporation has a Pensioner Rebate Scheme (PRS), which validates land ownership, occupancy and eligibility, and gives eligible pensioners a rebate on their water accounts. The Water Corporation's register of rebate eligible pensioners is validated on initial registration and on an ongoing triennial basis.

The Office of State Revenue in the Department of Finance has been relying on the Water Corporation's PRS information when processing subsidy payments to local government entities to reimburse them for rates' rebates given to pensioners. The Department will be updating its procedural manual to outline its reliance on the validation work performed by the Water Corporation.

Entity reporting of building cladding remediation

The Department of Mines, Industry Regulation and Safety (DMIRS) is undertaking Western Australia's State-wide cladding audit for privately-owned buildings and is coordinating the audit of government-owned buildings. DMIRS is publishing updates as part of an Australia-wide initiative to check the fire risk presented by combustible cladding on buildings.

The scope of the DMIRS audit was to include all private and State government buildings with cladding attached or incorporated, that are 3 storeys or taller, constructed or refurbished after year 2000, and falling within the Building Codes of Australia classes 2,3,4 and 9. These are generally buildings where either people sleep, which accommodate vulnerable occupants or high occupancy events. Some local government buildings were included in the scope of private buildings as they were regarded as class 9. As an extra precaution, some State government entities applied an expanded audit scope to the minimum proposed by DMIRS.

At the time of our 2018-19 financial audits of State government entities, their respective combustible building cladding audits identified 12 buildings which may require remedial action. These entities were: Department of Education; Department of Fire and Emergency Services; East Metropolitan Health Service; Housing Authority; North Metropolitan Health

Service; South Metropolitan Health Service; the Western Australian Museum and the Western Australian Sports Centre Trust (VenuesWest).

These entities included a contingent liability note in their 2018-19 financial statements which discloses:

- the nature or extent of any potential remediation action and advises that the associated costs have not yet been reliably estimated
- remediation work is in progress, or
- obligations to address cladding safety concerns have been met.

State government entities are still undertaking their detailed building cladding risk assessments which they will report to DMIRS.

Climate-related risks, an emerging issue for entity reporting and auditing

The AASB and the Auditing and Assurance Standards Board's (AUASB) recent joint publication *Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2* (April 2019) considers how entities should disclose climate-related and other emerging risks.

Climate-related risks include those from potential acute or chronic natural disasters, change in climate patterns and the related technology, market, legal and changes in government policies risks.

Entities affected by climate-related risks include those in the financial sector such as banks, insurance groups, asset/investment owners and managers, and also in the non-financial sector such as in the energy, transportation, materials and buildings, and agriculture, forest and food product sectors. Climate-related discussion in an annual report is currently included outside the financial statements, if at all.

The AASB/AUASB publication goes further, reporting that investors and other stakeholders consider climate-related risks important to their decision-making. The publication suggests entities need to be mindful that climate-related risks are no longer just a matter of corporate social responsibility when applying the existing materiality definition in the Australian Accounting Standards, and the AASB/IASB Practice Statement 2 *Making Materiality Judgements*. Therefore, entities may also need to consider disclosing the risks in their financial statements. For example, an entity may need to disclose its judgements and assumptions regarding climate-related risks in relation to asset impairment, fair value estimates, asset useful life estimates, provisions and expected credit losses, if considered material.

At this stage, we encourage State government entities to read the practice statement and start thinking about how climate-related risks may impact on their business. As the accounting profession develops further guidance, entities will need keep up-to-date and assess the appropriate disclosure to include in either their annual report or financial statements.

Audit of the Annual Report on State Finances

Introduction

The Annual Report on State Finances (ARSF) reports on the State's annual financial results and financial position and explains significant variations from the prior year and from the annual budget estimates. Treasury prepares the ARSF and we audit key aspects under the *Government Financial Responsibility Act 2000*.

The ARSF brings together key financial information for the 3 sectors of government as shown in Figure 6. In addition to this consolidated financial reporting, each entity also prepares and tables its own annual report that provides detail of its individual finances.

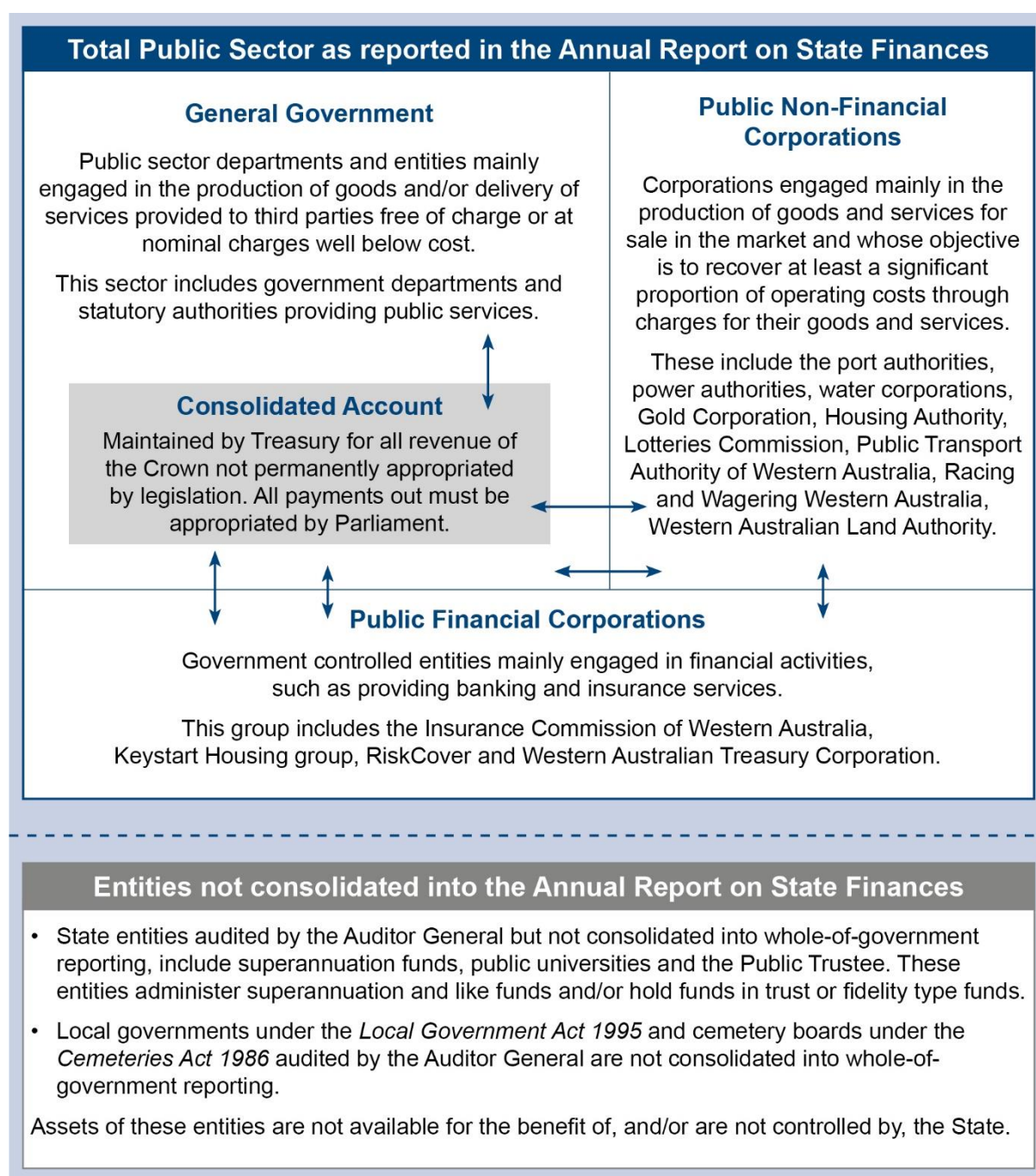


Figure 6: Financial relationships between sectors of Western Australian government

Audit opinion

We issued a clear (unqualified) audit opinion to the Treasurer on 20 September 2019. The audited ARSF was released by the Treasurer on 27 September 2019, meeting the statutory reporting deadline of 90 days after the end of the financial year, being 28 September 2019.

Timeliness

Timely and efficient preparation of the ARSF by Treasury and its audit by us is dependent on entities submitting accurate year end financial balances to Treasury on time.

This year 23 entities submitted June actual financial data to Treasury after the deadline of 25 July, compared to 36 late submitters last year. Late submissions reduce the time for Treasury to review entities' balances and increases the risk of undetected errors.

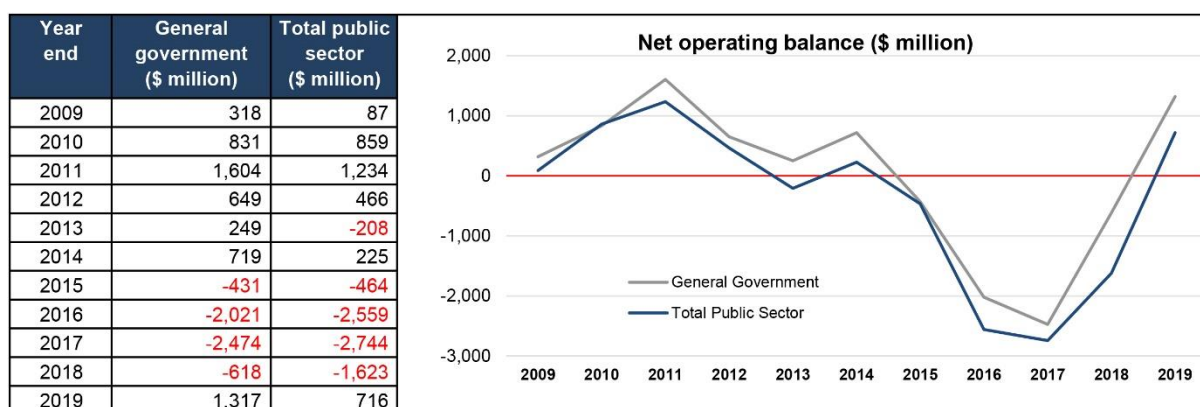
Western Australia's finances – selected key indicators

This section of our report provides information that supplements information contained in the ARSF that Parliament and other readers might find useful:

- net operating balance for General Government and for the Total Public Sector
- infrastructure renewal ratio
- borrowings and unfunded superannuation
- debt sustainability
- total borrowings and expense commitments
- current trend in leave liability balances.

Net operating balance

Figure 7 shows the net operating balance for the General Government sector and the Total Public Sector. A large number of factors affect the result, including economic circumstances, the performance of the State's main industries, interest rates, Commonwealth funding and legislation. However, a surplus is generally an indicator of sound financial management and/or good budgeting.



Source: Tabled Annual Report on State Finances

Figure 7: Net operating balance from 2008-09 to 2018-19

Infrastructure renewal

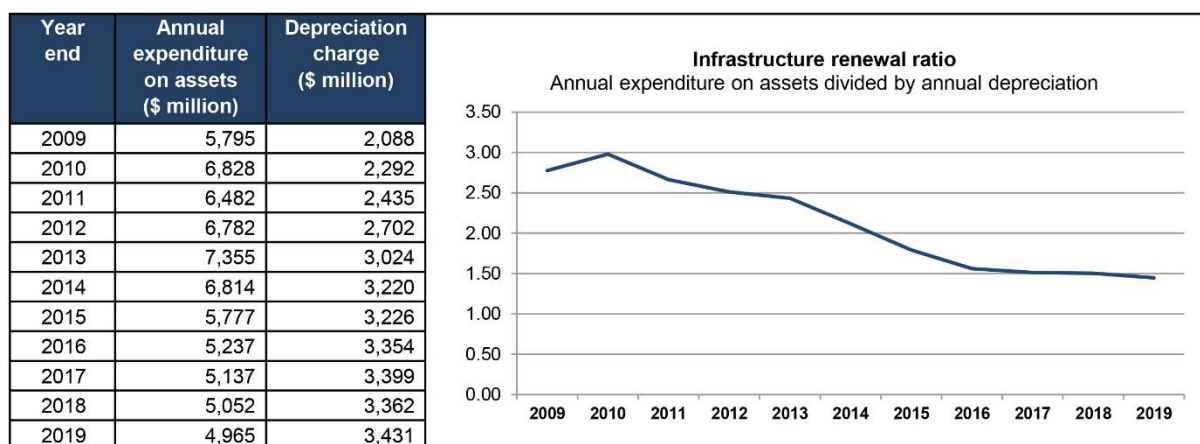
Governments face an ongoing challenge to maintain existing infrastructure and also develop and provide new assets to achieve desired social, economic and environmental outcomes.

The infrastructure renewal ratio is an indicator of the rate at which existing infrastructure is being replaced and increased compared with the rate at which it is being used up. The ratio compares the annual expenditure on assets with the annual depreciation charge on assets. A ratio higher than 1.00 indicates that overall the State's infrastructure is increasing.

Infrastructure assets mainly include land, roads, ports, water and electricity assets and networks, hospitals and schools. These represent almost the entire balance of non-financial assets. In 2018-19 the value of non-financial assets for the total public sector decreased slightly, from \$153.5 billion to \$153.0 billion.

Figure 8 indicates that although infrastructure renewal is slowing, it remains above the ratio of 1.00.

The infrastructure renewal rate is a high level indicator and caution is needed when interpreting the results. For example, this indicator does not inform on the extent to which maintenance of existing assets is prolonging their useful life.

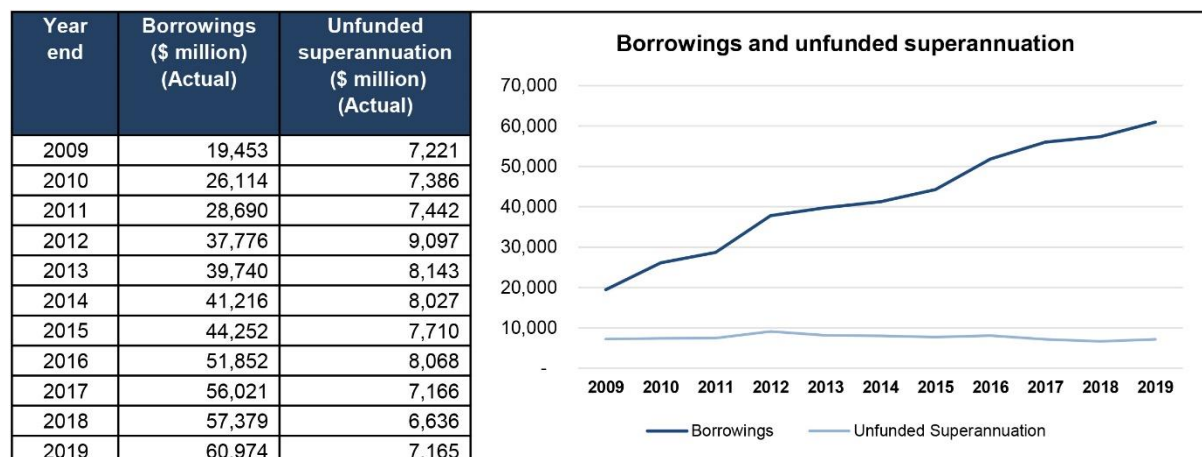


Source: Tabled Annual Report on State Finances

Figure 8: Infrastructure renewal ratios from 2008-09 to 2018-19

Borrowings and unfunded superannuation

Information on the State's debt is contained in the ARSF. Borrowings and the State's unfunded superannuation are significant components of this debt. The increase in 2018-19 was mainly due to a \$3.6 billion increase in borrowings.



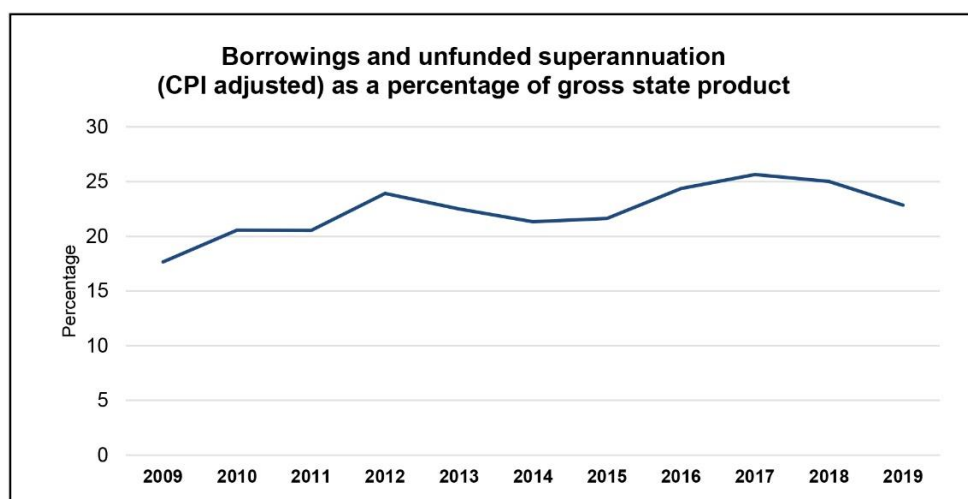
Source: Tabled Annual Report on State Finances

Figure 9: Borrowings and unfunded superannuation from 2008-09 to 2018-19

Debt sustainability

The ARSF contains important information on the State's net debt. Figure 10 reports another commonly used high level indicator relating to debt, the 'debt sustainability' ratio. In this graph, the debt sustainability ratio is the value of borrowings and unfunded superannuation liability of the total public sector as a percentage of gross state product (GSP).

It should be noted that measuring sustainable debt is difficult as the ability to pay debts involves factors such as economic growth, interest rates and the capacity of the State to generate surpluses in the future. As debt is repaid over a long period, these factors cannot be forecast reliably.



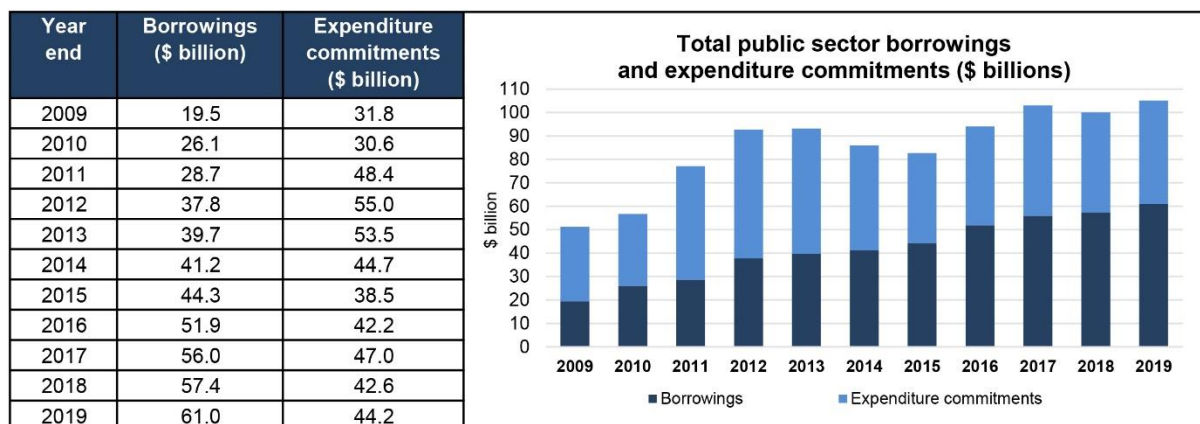
Source: Tabled Annual Report on State Finances and Australian Bureau of Statistics

Figure 10: Borrowings and unfunded superannuation as a percentage of GSP

Note: As ABS data for 2018-19 is not yet available, 2018-19 is based on a Treasury estimate of GSP.

Total borrowings and expense commitments

Figure 11 shows the trend in the State's borrowings and commitment to future expenditure. Overall this year, total public sector borrowing increased by \$3.6 billion while expenditure commitments increased by \$1.6 billion, resulting in a combined total increase of \$5.2 billion.



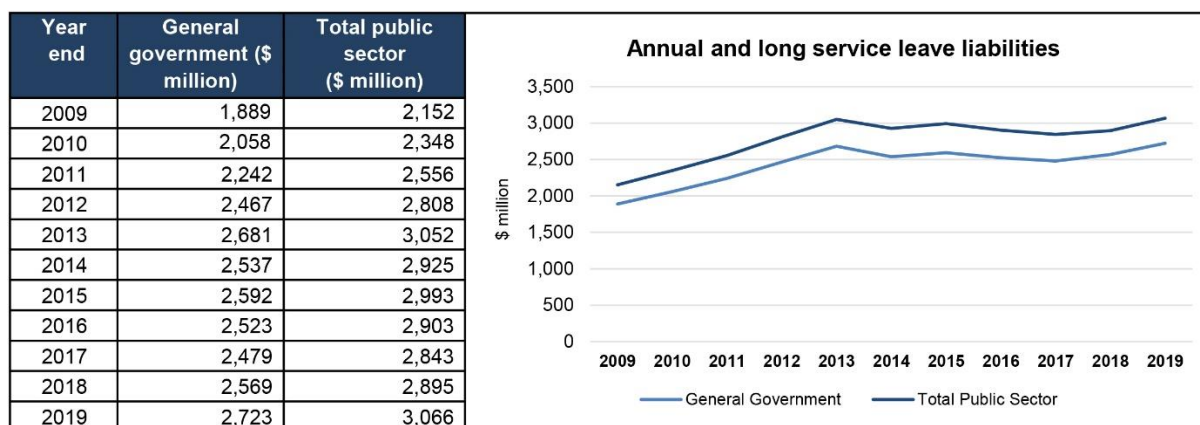
Source: Tabled Annual Report on State Finances

Figure 11: Total Public Sector borrowings and commitments 2008-09 to 2018-19

Expenditure commitments at 30 June 2019 include \$38.5 billion for long-term contracts with private sector contractors for providing health services, and rail and bus operations. Capital expenditure commitments account for \$3.6 billion including road infrastructure, schools, health campuses, housing, waste and waste water projects, power transmission and distribution as well as information technology.

Current trend in leave liability balances

The total public sector annual and long service leave liability owing to employees showed an increasing trend, with an additional \$171 million taking the balance to \$3.1 billion at year end.



Source: Tabled Annual Report on State Finances

Figure 12: WA public sector annual and long service leave liabilities 2008-09 to 2018-19

Management at entities need to proactively manage their leave liabilities. It is important for staff to take regular leave for their health and wellbeing, and for the entity to develop staff to perform the tasks of others. It should also be noted that fraud can be more easily concealed by staff who do not take leave.

Selected significant financial transactions and financial ratios

Introduction

This section of the report provides information on selected significant financial transactions made in 2018-19 that we noted during our audits. It also includes selected key financial ratios and information commonly used for assessing financial performance or analysing the financial health of entities. We report this information to provide insight to important issues considered during the audits.

Some of the information below may also be reported in each entity's tabled annual report but we have summarised it here for the convenience of Parliament. By including these items in this report, we are not implying that we have a residual audit-related concern with these transactions.

Selected significant financial transactions

Assets

- The **Department of Local Government, Sport and Cultural Industries'** infrastructure, property, plant and equipment increased by \$110.4 million to \$532.6 million due to spending on the New Museum Project, which was in-line with the capital appropriation.
- **WA Country Health Services** capitalised various building projects totalling \$334 million in 2018-19, including the new Karratha Health Campus (\$130 million) and 4 other major buildings at Warren, Onslow, Narrogin and Northam (\$112 million).
- The **Department of Premier and Cabinet's** property, plant and equipment increased to \$7.6 million, primarily due to the acquisition of 2 aircraft for \$5 million which were leased in prior years.
- Road infrastructure reported by the **Commissioner of Main Roads** increased slightly to \$44.4 billion, mainly attributed to work in progress additions of \$1.3 billion for projects commenced this year, offset partly by depreciation and a revaluation decrement. The main projects were Northlink – Swan Valley bypass and Armadale Road bridge and upgrade to a 4 lane dual carriageway.
- The **Forest Products Commission** adopted a new accounting policy for valuation of Native Forest and Sandalwood assets, bringing it in line with policies most commonly adopted across Australia. Native Forest assets are now recognised as Right of Use assets and Sandalwood assets as Licence Intangible assets which were valued at \$10 million at 30 June 2019. The Commission's Biological Assets (plantations) at 30 June 2019 were valued at \$208 million, compared to \$195 million last year.
- Landgate, the **Western Australian Land Information Authority**, sold its interest in PEXA Ltd and Advora Ltd, with gains from the sale of the shares of \$153.5 million and \$7.2 million respectively.
- The **Electricity Generation and Retail Corporation** (Synergy) received ministerial approval for a wholly owned subsidiary to divest itself of the Warradarge Wind Farm Development for a net profit of \$141.6 million. Similar to the sale of Albany Grasmere Wind Farm and Greenough River Solar Farm last year, this was reported by Synergy as sale of business in its consolidated financial statements.

Synergy recognised an impairment loss of \$428.9 million against the electricity cash generating unit, as its carrying value exceeded its recoverable amount.

Liabilities

- **Western Australian Treasury Corporation (WATC)** increased its borrowings by \$3 billion (5.5%) to \$57.7 billion, of which \$57.4 billion is domestic borrowing. WATC lends this money to State and local government entities through a range of debt funding structures.
- The **Department of Education** increased its borrowings by \$77.2 million (15%), to \$590.4 million, to fund a new secondary school being delivered under the existing Public Private Partnership and to provide an additional \$15 million in low interest loans to non-government schools.

Expenditure

- A further \$28.4 million of State government and \$276.8 million of Commonwealth government funding was received for the METRONET project. Payments of \$44.8 million were made for projects including the Morley-Ellenbrook Line, Yanchep rail extension and the Thornlie-Cockburn link. A capital commitment of \$446 million for METRONET's Forrestfield-Airport Link project was reported at 30 June 2019 in the **Annual Report on State Finances**.
- During 2018-19, \$729 million was disbursed from the **Royalties for Regions Fund**, \$142 million less than the previous year. Projects with unused money returned \$59.2 million to the Fund. At 30 June 2019 the balance of the Fund was at the maximum, \$1 billion, as set out in the Royalties for Regions Act 2009.
- During 2018-19 the following departments, which amalgamated from 1 July 2017, reported lower employee benefit expenses, mainly due to reduced full time equivalents (FTEs) and fewer voluntary severances under the Government's Voluntary Targeted Separation Scheme:
 - **Department of Mines, Industry Regulation and Safety** \$25.6 million, 14.3% reduction
 - **Department of Planning, Lands and Heritage** \$6.2 million, 6.8% reduction
 - **Department of Local Government, Sport and Cultural Industries** \$8.2 million, 15.4% reduction
 - **Department of Water and Environmental Regulation** \$5.6 million, 5.7% reduction.
- Employee benefit expenses of the **Department of Justice** increased by \$75.3 million (9.7%), largely attributed to an additional \$73.8 million for judges' pension liability following an independent actuarial review at 30 June 2019.
- Supplies and service expenditure of the **Department of Finance** reduced by \$68.6 million (6.2%) to \$1.1 billion due to a decrease in managed contracts expenditure for capital projects work on behalf of government entities. One of these major projects was completion of Optus Stadium. The user charges and fees to government entities for these services for managed building works also decreased by a similar amount.
- The nine **Development Commissions'** operating expenses reduced during 2018-19 as their staff and administrative functions are now centralised through the Department of Primary Industries and Regional Development. The Department is also reporting the distribution of Royalties for Regions grants and subsidies.

- Promotions and co-operative campaigns undertaken by the **Western Australian Tourism Commission** increased by 38.6% or \$6.6 million to \$23.9 million. International marketing and aviation agreements represented the majority of the expenditure.
- **Mental Health Commission's** grants and subsidies expense increased by \$5.6 million, mostly to fund \$5.3 million in new capital grants for the **Housing Authority** to construct mental health step-up step-down facilities at Bunbury, Karratha and Kalgoorlie.
- **Disability Services Commission's** expenditure included a \$324.7 million contribution to the Commonwealth National Disability Insurance Agency, following the State Government's decision to join the nationally delivered National Disability Insurance Scheme (NDIS). Expenditure on services to funded agencies reduced by \$42.1 million as participants in Western Australia transitioned to the NDIS. Employee benefits expense decreased by \$36.6 million (22.6%), also due to this transition and the voluntary redundancies which occurred in the previous year.
- Contracts for services at the **Department of Health** decreased by \$145 million (20.7%), largely due to a significant decrease in the Home and Community Care Program (HACC), offset by increases to cross-border charges by \$64 million and other health care related services by \$19 million. Since 1 July 2018 HACC services to older people have been managed by the Commonwealth Department of Health and younger people transitioned to the NDIS.
- As a result of the Independent Hospital Pricing Authority's review of cross-border patient treatment activity for the period between 2015-16 and 2017-18, the **Department of Health** recognised an expense of \$64 million and revenue of \$34 million in 2018-19. In 2017-18 the Department had disclosed Western Australia's potential inflows and outflows as contingent assets and liabilities in the financial statements.
- Patient support costs of the **Child and Adolescent Health Service** increased by 31% or \$18.1 million to \$77.1 million, mainly attributed to increased spending on medical supplies and services. This was partially offset by an \$11.2 million increase in income from recoveries from the Pharmaceutical Benefits Scheme (PBS) for drugs for patient treatment. Two highly specialised drugs were newly listed on the PBS in 2018-19.
- The **East Metropolitan Health Service** increased its employee benefit expense by \$49.8 million (6.3%), due to an increase in FTE for increased patient activity, actuarial leave valuation, and also an increase in various award entitlements. EMHS received an additional \$47.8 million in Commonwealth grants and contributions during the year.
- **South Metropolitan Health Service** reported a 2.7% (\$25.9 million) and **WA Country Health Service** a 5.4% (\$54.2 million) increase in their employee benefit expense largely due to additional staff to meet increased patient activity.
- **Synergy** has recognised a \$152.4 million provision for an onerous contract, as the unavoidable costs of meeting the obligations under the agreement exceed the economic benefits Synergy expected to be received.

Revenue

- Royalties and Rentals revenue of the **Department of Mines, Industry Regulation and Safety** was \$1.48 billion higher than the prior period due to the increase in the price per dry metric tonne and volumes of iron ore, plus the marginally lower foreign exchange rate. The \$250 million received from BHP to settle previously underpaid royalties also added to the annual total Royalties and Rentals of \$6.82 billion.

- **Western Power** reported a 47% increase, from \$146 to \$214 million, in developer and customer contributions due to completion of various large transmission and distribution projects during the financial year.
- The **Housing Authority's** sales of house and land totalled \$173.9 million, \$73.3 million (29.7%) lower than last year, largely attributed to prevailing market conditions and reducing property prices. The Authority's rental revenue also reduced by \$12.7 million.
- The \$206.8 million increase in grants, contributions and subsidies revenue of the **Housing Authority** was mostly due to \$130 million additional Commonwealth Government funding received for the National Partnership Remote Housing program and a \$121 million exit payment received under the National Partnership Agreement for Rental Housing.
- **Western Australian Land Authority (Landcorp)**'s land sales totalled \$152.8 million, a 21.5% or \$41.8 million decrease on the previous year. Landcorp attributed this to a combination of the slowing of the Western Australian economy and the impact of the Banking Royal Commission on banks' lending practices.
- Investment revenue of the **Government Employees Superannuation Board (GESB)** was \$282.9 million (16%) higher than budget mainly due to higher than expected investment performance. The full year investment performance was 7.6% compared to a budget of 6.5% which was provided by GESB's asset consultant.
- The **Insurance Commission of Western Australia's** investment income of \$350.5 million was \$73.7 million or 26.6% better than budget. This compared to \$446.7 million last year. The Commission's investment assets totalled \$5.5 billion at year end, compared to \$5.3 billion last year.
- Sale of lottery products revenue of the **Lotteries Commission** increased by 15.3% or \$130 million to \$985 million due to increased sales activities for Powerball and OZ lotto. This resulted in a 15.3% (\$24 million) increase in statutory distributions to the health, arts and sports sectors.
- At 30 June 2019, the **Department of Transport's** Perth Parking Licensing Account balance was \$93.4 million, compared to \$54.1 million at the beginning of the year. All licence fee collections, around \$58 million annually, from the Perth Parking Levy are used to encourage a balanced transport system for gaining access to the Perth city area. In 2018-19, grants and subsidies from these funds included the Perth CAT bus system (\$15.7 million). The total of grant payouts reduced as transport projects such as the Wellington Street Bus Station and Northbridge Bus Layover concluded in 2017-18.
- In 2018-19 the **Police Service** received \$95.2 million in regulatory fines from photographic based vehicle infringements. This was around 6% less than the revenue received in the previous 2 years. The collections are credited to the Road Trauma Trust Account administered in accordance with the *Road Safety Council Act 2002* by the Road Safety Commission.
- The first full year of operation of Optus Stadium has contributed to VenuesWest's (**Western Australian Sports Centre Trust's**) \$62.3 million increase (55%) in user fees and charges and a 70% increase in sales revenue to \$84.8 million, with related operating expenses for the stadium and merchandise purchases also increasing.
- The **Department of Treasury's** annual service appropriation was \$9.8 million higher, to fund major projects or programs including the partial commercialisation of **Western Australian Land Information Authority** (Landgate), the sale of the **Totalisator Agency Board** (TAB) and the State Underground Power Scheme. Supplies and

services expenditure increased by \$10 million largely due to increased contractor and legal costs for the Landgate and TAB projects.

- The **Queen Elizabeth II Medical Centre Trust** parking fees received, and then paid out in management fees in accordance with the project agreement, increased from \$2.0 to \$4.3 million, substantively as a result of the opening of the Perth Children's Hospital.
- **Fremantle Port Authority, Kimberley Ports Authority and Southern Ports Authority**, reported reduced revenue from their port operations, attributed to a general weakening of the WA economy and a decline in port activities. However, **Pilbara Ports Authority's** shipping and cargo charges increased by \$18.8 million or 5.6% during the year.
- The **Department of Fire and Emergency Services'** collection of Emergency Services Levy (ESL) increased by 10.5% to \$393.4 million. The ESL revenue is set through the State Budget and predominately funds Western Australia's emergency prevention, preparedness and response activities. The majority of the ESL is raised and collected by local government through council rate notices.
- User charges and fees of the **Department of Biodiversity, Conservation and Attractions** increased by 41.7% or \$13.5 million to \$45.9 million. The increase was mainly attributed to provision of science, payroll and IT bureau services for the **Rottnest Island Authority, Zoological Parks Authority and Botanic Gardens and Parks Authority**, as well as large recoups from the **Department of Fire and Emergency Services** and **Forest Products Commission** for bushfire suppression and preparedness in the South West region.
- National Partnership Agreement on the Skilling Australians funding of \$28.2 million received by the **Department of Training and Workforce Development** contributed to their Commonwealth Grants and Contributions funding increasing from \$152.5 to \$185.1 million.
- The **Department of Jobs, Tourism, Science and Innovation** received \$11.3 million in Royalties for Regions funding for projects including serviced lands at Shotts and Kemerton (\$5.3 million), \$3.8 million for the Collie Future Fund and \$1.5 million for the WA Branding project. Of the \$10.6 million increase in supplies and services expenses, \$6.3 million related to expenditure on the Shotts and Kemerton services lands and WA Branding Royalties for Regions projects.
- **Metropolitan Redevelopment Authority** recorded \$15.5 million in sales revenue compared to \$46 million last year. The Authority's operations, in general, have reduced as infrastructure developments were largely completed by or in 2019.
- Total revenue of the **Zoological Parks Authority** increased by 8.4% this year, following a 4.4% increase last year. Admissions revenue increased by 7.6% to \$9.6 million and memberships by 19% to \$1.8 million.

Key financial ratios of public sector entities

In this section we present selected key financial ratios and information commonly used for assessing financial performance or analysing the financial health of entities:

- liquidity (current) ratio
- summarised financial result for all entities
- borrowings to assets ratio.

Liquidity (current) ratio for all entities – 4 year trend

The liquidity or current ratio is a traditional method of assessing an entity's ability to meet its debts as and when they fall due. It is calculated by dividing current assets by current liabilities. A ratio of more than 1 is generally accepted to show a low risk.

Eighty-three percent of entities at 30 June 2019 had a current ratio above 1.0, similar to previous years.

Liquidity ratio	Percentage of entities 30-Jun16	Percentage of entities 30-Jun17	Percentage of entities 30-Jun18	Percentage of entities 30-Jun19
Greater than or equal to 1 (Low Risk)	82	81	82	83
Less than 1	18	19	18	17

Source: Audited financial statements in tabled annual reports

Table 9: Liquidity ratios of entities – 4 year trend

Financial result for all entities – 4 year trend

A number of factors can determine whether an entity achieves a surplus financial result. However, a surplus is generally an indicator that an entity is adequately funded and/or has sound financial management including good budgeting.

Seventy-three entities (59%) reported a surplus for 2018-19, lower than the previous 3 years. The following table is a summary of the financial results of entities over the past 4 years.

Financial result	Percentage of entities 2015-16	Percentage of entities 2016-17	Percentage of entities 2017-18	Percentage of entities 2018-19
Surplus	60	72	70	59
Deficit	40	28	30	41

Source: Audited financial statements in tabled annual reports

Table 10: Financial results of entities – 4 year trend

Borrowings to assets ratio

While a relatively small number of entities have a borrowings liability, their borrowings are significant in value. The borrowings to assets ratio is an indicator of the extent to which an entity's borrowings are covered by assets.

However, caution is needed when interpreting the results as the indicator does not differentiate between current and non-current assets and borrowings. It is a high level indicator of the extent that an entity has debt obligations.

Entity Name	Borrowings to Assets Ratio				Trendline
	2015-16	2016-17	2017-18	2018-19	
Corporatised entities					
Fremantle Port Authority	38%	34%	33%	31%	
Horizon Power (Regional Power Corporation)	43%	43%	37%	39%	
Kimberley Ports Authority	21%	23%	21%	16%	
Mid West Ports Authority	10%	8%	7%	6%	
Pilbara Ports Authority	24%	9%	8%	4.9%	
Southern Ports Authority	15%	12%	10%	7%	
Synergy (Electricity Generation and Retail Corporation)	9%	7%	6%	1.6%	
Water Corporation	34%	34%	35%	35%	
Western Australian Land Authority	12%	15%	18%	19%	
Western Power (Electricity Networks Corporation)	72%	69%	67%	65%	
Statutory authorities					
Country High School Hostels Authority	12%	12%			
Country Housing Authority	63%	59%	53%	51%	
Gold Corporation	23%	18%	23%	26%	
Housing Authority	27%	25%	28%	29%	
Metropolitan Redevelopment Authority	50%	54%	69%	46%	
Public Transport Authority of Western Australia	26%	25%	26%	24%	
South Metropolitan Health Service		8%	6%	3.9%	
Western Australian Sports Centre Trust			19%	18%	
Western Australian Treasury Corporation	93%	93%	98%	97%	
Departments					
Department of Corrective Services #	0.0%	11%			
Department of Education Services *	107%	105%			
Department of Finance	8%	7%	5.4%	4.0%	
Department of Fire and Emergency Services	11%	10%	8%	7%	
Department of Fisheries	21%	19%			
Department of Justice #			15%	15%	
Department of Regional Development	12%	10%			
Department of the Attorney General #	24%	24%			

Source: Audited financial statements in tabled annual reports

The Departments of the Attorney General and Corrective Services amalgamated from 1 July 2017 to become the Department of Justice.

* Department of Education Services' borrowings were transferred to the Department of Education from 1 July 2017. This loan funding to schools at a lower (subsidised) interest rate than the rate applied to borrowing from the Western Australian Treasury Corporation continues through this larger department, with the ratio being 3.9% and not reported above.

Figure 11: Borrowings to Assets ratio of entities – 4 year trend

Note: Entities with a low percentage borrowing (ratio below 5%) have been omitted.

Dividends paid by Public Corporations to General Government

Dividends paid by public corporations contributed \$1,350 million to the General Government Sector financial results in 2018-19, compared to \$1,718 million in 2017-18.

These dividends provide an additional funding source for distribution to budget funded entities for the delivery of government services. Despite these benefits, sustained high dividends can impact corporations' ability to retain enough of their surplus to meet asset maintenance and infrastructure renewal requirements.

Each corporation operates under its own enabling legislation with each having differing requirements and processes for the payment of dividends to Government. Treasury has advised that, in general terms, the dividend payout ratios are determined each year through a combination of SCIs and the annual budget process. The dividends are generally calculated as a percentage of net profit after tax².

The timing of dividend payments and the required approval processes are also prescribed in each corporations' legislation. Broadly, however, the Board makes a recommendation to the Minister, who consults with the Treasurer before determining the amount of the dividend. The process of seeking the Treasurer's concurrence includes Treasury review of the actual and budget financial statements of the corporation. Once the dividend amount has been agreed, the corporation pays the dividend to the Treasurer (the Consolidated Account), in accordance with their legislation. If the Minister directs a different dividend amount, then this direction is required to be tabled in Parliament.

Table 12 shows the dividends paid by the entities for the last 3 years and their trading surpluses for those 3 years. Please note that dividends paid during a financial year will generally include an interim dividend for that year and the final dividend from the preceding financial year. Dividends paid during a financial year are therefore not wholly related to the trading surplus of that year.

Entity Name	DIVIDENDS PAID 2018-19 (\$'000)	2018-19 Surplus/ Deficit (\$'000)	DIVIDENDS PAID 2017-18 (\$'000)	2017-18 Surplus/ Deficit (\$'000)	DIVIDENDS PAID 2016-17 (\$'000)	2016-17 Surplus/ Deficit (\$'000)
Bunbury Water Corporation	1,940	3,139	1,898	2,591	1,983	2,929
Busselton Water Corporation	1,540	2,678	1,409	3,431	1,464	2,093
Forest Products Commission	1,044	1,365	3,617	23,152	2,530	3,964
Fremantle Port Authority	34,837	49,404	64,987	58,043	12,362	47,555
Gold Corporation	4,989	13,669	12,754	6,652	22,154	17,003
Horizon Power (Regional Power Corporation)	36,596	35,869	43,802	111,859	16,389	35,436
Insurance Commission of Western Australia	102,562	203,765	149,263	277,689	116,943	193,135
Kimberley Ports Authority	0	-1,713	394	95	2,561	-2,980
Mid West Ports Authority	12,416	14,664	18,116	10,189	5,293	9,941
Pilbara Ports Authority	150,883	126,344	220,685	180,641	13,085	151,687
Southern Ports Authority	26,239	22,908	43,190	24,563	6,279	28,429
Synergy (Electricity Generation and Retail Corporation)	18,200	-656,305	148,000	-45,664	0	14,138
Water Corporation	605,000	791,000	528,000	650,000	483,000	645,000
Western Australian Land Authority (Landcorp)	37,869	6,754	53,779	6,774	43,219	17,913
Western Australian Treasury Corporation	18,200	29,200	9,249	24,364	7,298	12,326
Western Power (Electricity Networks Corporation)	298,000	366,000	419,000	351,000	102,000	327,000
TOTAL DIVIDENDS PAID (000's)	1,350,315		1,718,143		836,560	

Source: Audited annual financial statements of entities

Table 12: Dividends paid by entities to General Government Sector

² Public Corporation Dividend Payout Ratios - refer 2018-19 Economic and Fiscal Outlook paper of the State Budget.

Quality and timeliness of reporting

- **Most State government entities prepared satisfactory quality financial statements and KPIs for 2018-19, however some still need to improve their quality review processes.**
- **Seventy-two percent of State government entities were ready for their audit within 20 days of year end. Last year this result was 63%.**
- **We have acknowledged the top 40 'best practice' entities across 2 categories for timeliness in their financial reporting, good financial controls and reporting practices.**

Quality and accuracy

As reported on page 24, by 30 June 2019 10 of the 11 new MOG departments had amalgamated the financial management and reporting IT systems of their constituent entities. Statutory authorities that were named in the amalgamations still report on separate financial systems. This generally had an effect on the quality of their 2018-19 financial reporting.

Overall for all entities, the number of errors identified and corrected during the 2018-19 audit process was higher than the previous year. We again found that many entities continue to make key decisions about their financial reporting late in the financial year, or after year end, resulting in rushed transactions and adjustments, and consequent errors. This year, a few entities missed or just met the statutory 90 day deadline for tabling their annual reports due to valuation issues. In some entities a more robust quality review process needs to be implemented to ensure that their financial statements are complete and accurate, and the working papers adequately support the reported figures in their financial reports.

To ensure timely and accurate financial reports it is important that management in each reporting entity keeps proper accounts and records. Management should undertake various best practice initiatives throughout the financial year and after year end to improve the quality of their financial reporting.

At the beginning of the financial year, entities should confirm the accounting policies to be applied for the ensuing year.

Before year end, entities need to:

- prepare a project plan of human and financial resources, assign responsibilities for tasks and set time frames for financial reporting
- ensure that valuations are received timeously, providing management with adequate review time before inclusion in the financial statements
- identify and review changes to accounting standards and reporting requirements and confirm the approach to any changes with the auditors
- determine the form and content of their KPIs and obtain necessary approvals from Treasury
- prepare pro-forma financial reports, including all comparative information that can be reviewed by the auditors well in advance of the final audit visit.

After year end:

- analyse variations between actual and budget as well as previous year results to identify and correct omissions and/or errors
- ensure managers with sign-off responsibility for components of the financial report do so in line with the established timetable
- ensure the draft financial report has received an internal quality assurance review, preferably by internal audit or other suitably qualified professionals.

Timeliness

Seventy-two percent of the entities were 'audit ready' within 20 days of their financial year end. This result restores the trend of improved timeliness.

Being ready for audit as soon as possible after year end enables entities to release resources for other important financial management tasks, thereby improving the overall efficiency and financial management of the public sector.

The date when each entity was 'audit ready' is reported in Appendix 1 (commencing on page 44) while Figure 13 summarises timeliness over the last 10 years.

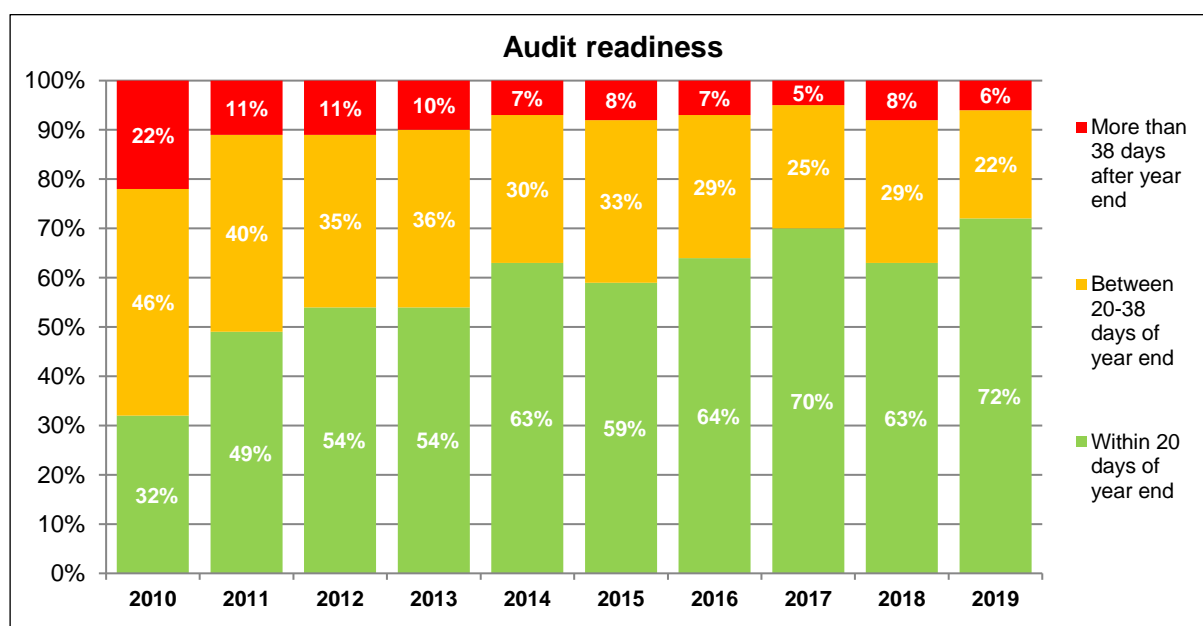


Figure 13: Percentage of entities 'audit ready' within 3 time brackets for last 10 years

Best practice entities

Each year we rate entities on their financial reporting and financial controls and recognise the top 20 large and top 20 small 'best practice' entities (Table 13). Our definition of 'small' is entities with total expenditure below \$41 million.

We congratulate the entities we rated as the top achievers for 2018-19.

Our assessment criteria include:

- clear opinion on financial statements, controls and KPIs
- the number and significance of control weaknesses raised in management letters

- audit ready early, ideally no later than 20 days after financial year end
- good quality financial statements and KPIs, supported by reliable working papers and submitted for audit within the agreed timeframe
- management resolution of accounting standards and presentation issues
- key staff available during the audit process.

Best practice top 20 large entities	Best practice top 20 small entities
Commissioner of Main Roads Construction Industry Long Service Leave Payments Board Department of Finance Department of Mines, Industry Regulation and Safety Department of Training and Workforce Development Department of Transport Department of Treasury Electricity Generation and Retail Corporation (Synergy) Electricity Networks Corporation (Western Power) Fremantle Port Authority Gold Corporation Government Employees Superannuation Board Insurance Commission of Western Australia Legal Aid Commission of Western Australia Lotteries Commission Mental Health Commission Mid West Ports Authority Water Corporation Western Australian Tourism Commission Western Australian Treasury Corporation	Botanic Gardens and Parks Authority Burswood Park Board, The Chemistry Centre (WA) Country Housing Authority Department of the Registrar, Western Australian Industrial Relations Commission Economic Regulation Authority Kimberley Ports Authority Metropolitan Cemeteries Board Minerals Research Institute of Western Australia Office of the Information Commissioner Parliamentary Commissioner for Administrative Investigations Parliamentary departments (Department of the Legislative Assembly, Department of the Legislative Council and the Parliamentary Services Department) Perth Theatre Trust Public Sector Commission Rural Business Development Corporation Small Business Development Corporation Western Australian Electoral Commission Western Australian Meat Industry Authority WorkCover Western Australia Authority Zoological Parks Authority

Table 13: Top 20 best practice entities in 2 expenditure categories for 2018-19

Appendix 1: State government entities audited

Audit opinions issued to 137 State government entities and 2 local government entities completed between 8 May 2019 and 5 November 2019 are listed below. Qualified opinions and other notes appear after the entity's name.

The entities primarily had reporting dates of 30 June or 31 July 2019. The audit opinion is issued to the responsible Minister for each government entity and is printed in full in the entity's annual report. The annual report is tabled in Parliament by the Minister and also normally posted on the entity's website.

The table lists each entity audited and the 'audit ready' date when their financial statements were submitted for the audit to commence.

Rating codes for timeliness / audit readiness used in Appendix 1		
Entity's submission date	Rating	Colour coding
On or before Friday 19 July 2019	Good	Green
By 5 August 2019	Satisfactory	Yellow
After 5 August 2019	Needs improvement	Red

Ratings are not reported for the Annual Report on State Finances, subsidiaries, request audits, cemetery boards and final audits of abolished entities. These are marked as 'n/a' in the 'Audit Ready' column.

In the following table the names of entities are as audited for 2018-19.

Entities' names are listed alphabetically without 'The' in their statutory names.

Audit ready	Entity	Opinion issued
15/07/2019	Aboriginal Affairs Planning Authority, The	16/09/2019
12/07/2019	Agricultural Produce Commission	06/08/2019
09/07/2019	Animal Resources Authority	31/07/2019
n/a	Annual Report on State Finances	20/09/2019
15/07/2018	Board of the Art Gallery of Western Australia, The	29/08/2019
16/07/2019	Botanic Gardens and Parks Authority	27/08/2019
29/07/2019	Building and Construction Industry Training Board	29/08/2019
01/08/2019	Bunbury Water Corporation	20/08/2019
17/07/2019	Burswood Park Board, The	19/08/2019
01/08/2019	Busselton Water Corporation	23/08/2019
16/07/2019	Chemistry Centre (WA)	29/08/2019
16/07/2019	Child and Adolescent Health Service	28/08/2019
18/07/2019	Coal Miners' Welfare Board of Western Australia, The	03/09/2019
23/07/2019	Combat Sports Commission	05/09/2019
12/07/2019	Commissioner for Children and Young People	27/08/2019
12/09/2019	Commissioner for Equal Opportunity	24/09/2019
16/07/2019	Commissioner of Main Roads	15/08/2019
16/07/2019	Construction Industry Long Service Leave Payments Board	20/08/2019

Audit ready	Entity	Opinion issued
17/07/2019	Corruption and Crime Commission	17/09/2019
16/07/2019	Country Housing Authority	28/08/2019
16/07/2019	Department of Biodiversity, Conservation and Attractions	11/09/2019
05/08/2019	Department of Communities	20/09/2019
16/07/2019	Department of Education	23/09/2019
16/07/2019	Department of Finance	23/08/2019
15/07/2019	Department of Fire and Emergency Services	30/08/2019
26/07/2019	Department of Health	17/09/2019
11/07/2019	Department of Jobs, Tourism, Science and Innovation	13/09/2019
09/08/2019	Department of Justice	19/09/2019
05/08/2019	Department of Local Government, Sport and Cultural Industries (Qualified opinion on controls. Details on page 10.)	11/09/2019
16/07/2019	Department of Mines, Industry Regulation and Safety	11/09/2019
15/07/2019	Department of Planning, Lands and Heritage	17/09/2019
19/07/2019	Department of Primary Industries and Regional Development	19/09/2019
15/07/2019	Department of the Legislative Assembly	28/08/2019
15/07/2019	Department of the Legislative Council	28/08/2019
03/08/2019	Department of the Premier and Cabinet	13/09/2019
16/07/2019	Department of the Registrar, Western Australian Industrial Relations Commission	12/08/2019
16/07/2019	Department of Training and Workforce Development	27/08/2019
16/07/2019	Department of Transport	30/08/2019
15/07/2019	Department of Treasury	10/09/2019
16/07/2019	Department of Water and Environment Regulation	18/09/2019
19/07/2019	Disability Services Commission	13/09/2019
16/07/2019	East Metropolitan Health Service	18/09/2019
12/07/2019	Economic Regulation Authority	02/08/2019
n/a	Edith Cowan University subsidiary Australian Pathways Education Group Pty Ltd	18/10/2019
16/07/2019	Electricity Generation and Retail Corporation – Synergy Subsidiaries:	30/08/2019
	South West Solar Development Holdings Pty Ltd	03/09/2019
	Synergy Renewable Energy Development Pty Ltd	02/09/2019
	Vinalco Energy Trust	02/09/2019
	Vinalco Energy Pty Ltd	02/09/2019
12/07/2019	Electricity Networks Corporation – Western Power	12/08/2019
12/08/2019	Fire and Emergency Services Superannuation Board	17/10/2019
02/08/2019	Forest Products Commission	13/09/2019
15/07/2019	Fremantle Port Authority	30/08/2019

Audit ready	Entity	Opinion issued
01/08/2019	Gaming and Wagering Commission of Western Australia	05/09/2019
16/07/2019	Gascoyne Development Commission	19/09/2019
15/07/2019	Gold Corporation	13/09/2019
16/07/2019	Goldfields-Esperance Development Commission	02/09/2019
29/07/2019	Government Employees Superannuation Board	05/09/2019
19/07/2019	Governor's Establishment	04/09/2019
16/07/2019	Great Southern Development Commission	06/09/2019
17/07/2019	Health and Disability Services Complaints Office	02/09/2019
15/07/2019	Health Support Services	06/09/2019
15/07/2019	Heritage Council of Western Australia	13/09/2019
15/08/2019	Housing Authority	25/09/2019
n/a	Subsidiaries: Goldmaster Enterprises Pty Ltd	16/09/2019
n/a	Homeswest Loan Scheme Trust	06/09/2019
n/a	Keystart Bonds Limited	06/09/2019
n/a	Keystart Housing Scheme Trust	06/09/2019
n/a	Keystart Loans Limited	06/09/2019
n/a	Keystart Support Trust	06/09/2019
16/07/2019	Insurance Commission of Western Australia	11/09/2019
16/07/2019	Keep Australia Beautiful Council (W.A.)	13/09/2019
16/07/2019	Kimberley Development Commission	17/09/2019
15/07/2019	Kimberley Ports Authority	03/09/2019
30/07/2019	Law Reform Commission of Western Australia	05/09/2019
15/07/2019	Legal Aid Commission of Western Australia	29/08/2019
24/07/2019	Legal Contribution Trust (01/01/2019 – 30/06/2019)	05/09/2019
30/07/2019	Legal Costs Committee	05/09/2019
17/07/2019	Library Board of Western Australia, The	06/09/2019
29/07/2019	Local Health Authorities Analytical Committee	17/09/2019
15/07/2019	Lotteries Commission	19/08/2019
15/07/2019	Mental Health Commission	18/09/2019
09/07/2019	Metropolitan Cemeteries Board	15/08/2019
12/07/2019	Metropolitan Redevelopment Authority	04/09/2019
16/07/2019	Mid West Development Commission	19/09/2019
12/07/2019	Mid West Ports Authority	29/08/2019
15/07/2019	Minerals Research Institute of Western Australia	15/08/2019
18/07/2019	National Trust of Australia (W.A.), The	24/09/2019
26/07/2019	North Metropolitan Health Service	16/09/2019
15/07/2019	Office of the Director of Public Prosecutions	20/08/2019
15/09/2019	Office of the Information Commissioner	19/09/2019

Audit ready	Entity	Opinion issued
08/08/2019	Office of the Inspector of Custodial Services	30/08/2019
16/07/2019	Parliamentary Commissioner for Administrative Investigations	28/08/2019
07/08/2019	Parliamentary Inspector of the Corruption and Crime Commission	06/09/2019
15/07/2019	Parliamentary Services Department	28/08/2019
18/07/2019	PathWest Laboratory Medicine WA (KPIs exempted, no opinion)	17/09/2019
16/07/2019	Peel Development Commission	30/08/2019
16/07/2019	Perth Theatre Trust	05/09/2019
16/07/2019	Pilbara Development Commission	19/08/2019
16/07/2019	Pilbara Ports Authority	04/09/2019
16/07/2019	Police Service	27/08/2019
08/08/2019	Professional Standards Council	05/09/2019
16/07/2019	Public Sector Commission	28/08/2019
07/08/2019	Public Transport Authority of Western Australia	06/09/2019
02/08/2019	Public Trustee	09/09/2019
16/07/2019	Quadriplegic Centre	09/09/2019
05/08/2019	Queen Elizabeth II Medical Centre Trust, The	29/08/2019
09/09/2019	Racing and Wagering Western Australia (01/08/2018 – 31/07/2019)	14/10/2019
01/08/2019	Racing Penalties Appeal Tribunal of Western Australia	04/09/2019
05/08/2019	Regional Power Corporation – Horizon Power	11/09/2019
15/07/2019	Rottnest Island Authority (Qualified opinion on controls – Details on page 10.)	19/09/2019
10/07/2019	Rural Business Development Corporation	07/08/2019
16/07/2019	School Curriculum and Standards Authority	23/09/2019
25/07/2019	Small Business Development Corporation	26/08/2019
16/07/2019	Southern Ports Authority	29/08/2019
16/07/2019	South Metropolitan Health Service	16/09/2019
16/07/2019	South West Development Commission	19/09/2019
22/07/2019	Swan Bells Foundation Incorporated	06/09/2019
02/08/2019	Trustees of Public Education Endowment	20/09/2019
26/07/2019	WA Country Health Service	12/09/2019
15/07/2019	Water Corporation	27/08/2019
16/07/2019	Western Australian Coastal Shipping Commission	30/08/2019
12/07/2019	Western Australian Electoral Commission	22/08/2019
	Western Australian Energy Disputes Arbitrator	In progress

Audit ready	Entity	Opinion issued
12/09/2019	Western Australian Greyhound Racing Association (01/08/2018 - 31/07/2019) (Qualified opinion on financial statements and KPIs. Details on page 10.)	16/10/2019
15/07/2019	Western Australian Health Promotion Foundation	22/08/2019
15/07/2019	Western Australian Land Authority	28/08/2019
20/08/2019	Western Australian Land Information Authority	20/09/2019
15/07/2019	Western Australian Meat Industry Authority	27/08/2019
15/07/2019	Western Australian Museum, The	18/10/2019
15/07/2019	Western Australian Planning Commission	17/09/2019
22/07/2019	Western Australian Sports Centre Trust	14/09/2019
13/07/2019	Western Australian Tourism Commission	02/09/2019
15/07/2019	Western Australian Treasury Corporation	27/08/2019
16/07/2019	Wheatbelt Development Commission	29/08/2019
12/07/2019	WorkCover Western Australia Authority	02/09/2019
16/07/2019	Zoological Parks Authority	02/09/2019

Request audits – audits requested by the Treasurer under the *Auditor General Act 2006* do not have a statutory date for submitted financial statements

The Delegate of the Queen Elizabeth II Medical Centre Trust	30/08/2019
Tertiary Institutions Service Centre Ltd	04/10/2019

Appendix 2: Audit certifications

Audit work is also undertaken throughout the year to certify financial and statistical information produced by departments and statutory authorities. This assists entities to discharge conditions of Commonwealth funding, grants or other legislation. This service to entities ensures that they meet conditions of their funding agreements in a timely manner and are in a position to receive ongoing funding or apply for future funding under existing or new agreements.

In addition to the 20 certifications listed below, we also issued 121 certifications for projects funded under the Royalties for Regions program. They are listed in Appendix 3, commencing on page 51.

The following certifications were completed between 8 May 2019 and 5 November 2019. Unless stated, the certifications were for the year ended 30 June 2019.

Entity	Certification relates to	Date issued
Curtin University	Higher Education Funding Act 1988: Higher Education Research Data Collection for year ended 31/12/2018	28/06/2019
Commissioner of Main Roads	Interstate Road Transport Act 1985	05/11/2019
	Nation Building Program (National Land Transport Act 2014) <ul style="list-style-type: none"> Black Spot Projects Land Transport Infrastructure Projects 	05/11/2019 05/11/2019
	National Partnership on Infrastructure Projects in Western Australia	05/11/2019
Department of Fire and Emergency Services	Western Australian Natural Disaster and Relief Arrangements (NDRRA) for the year ended 30/06/2018	28/06/2019
Department of Health	National Health Funding Pool Act 2012 (WA): Western Australian State Pool Account	12/09/2019
Department of Local Government, Sport and Cultural Industries	Local Government (Financial Assistance) Act 1995: Commonwealth funding to local government entities	10/10/2019
Department of Transport	Enhanced Speed Enforcement Administration Costs	31/10/2019
Edith Cowan University	Higher Education Funding Act 1988: Higher Education Research Data Collection for year ended 31/12/2018	12/06/2019
Electricity Generation and Retail Corporation	Compliance with Part 2, Divisions 1 and 2 of the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 and with the Segregation and Transfer Pricing Guidelines 2013 throughout the year ended 30 June 2019	09/10/2019
	Compliance with Electricity Generation and Retail Corporation Regulatory Scheme as evaluated against the requirements of Part 3 Division 1 of the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 and with the Electricity (Standard Products) Wholesale Arrangements 2014 throughout the year ended 30 June 2019	08/10/2019

Entity	Certification relates to	Date issued
Fire and Emergency Services Superannuation Board	Australian Prudential Regulation Authority (APRA): Reasonable assurance opinion on APRA reporting forms and compliance with various legislative requirements	17/10/2019
	APRA: Limited assurance conclusion on APRA reporting forms; design of systems, procedures and controls to ensure compliance with prudential requirements and provision of reliable data to APRA; and compliance with the Risk Management Framework and the Operational Risk Financial Requirement strategy	17/10/2019
	Australian Securities and Investments Commission: Auditor's report on Australian Financial Services licensee (Form FS71) under the <i>Corporations Act 2001</i>	17/10/2019
	Trustee entity's financial statements	17/10/2019
Mental Health Commission	Road Trauma Trust Account grant: Alcohol Interlocks Assessment and Treatment Services	22/10/2019
Murdoch University	Higher Education Funding Act 1988: Higher Education Research Data Collection for year ended 31/12/2018	25/06/2019
The University of Western Australia	Higher Education Funding Act 1988: Higher Education Research Data Collection for year ended 31/12/2018	24/06/2019
Western Australian Electoral Commission	Electoral Distribution Act 1907: Electoral Distribution Commissioners' Expenses for the period 01/07/2018 – 30/06/2019	21/08/2019

Appendix 3: Royalties for Regions certifications

Clear certification opinions were issued for the annual Statements of Receipts and Payments of 121 approved projects funded under the *Royalties for Regions Act 2009*.

The Department of Primary Industries and Regional Development (DPIRD) is responsible for the current governance processes for Royalties for Regions funded projects with State government entities. Entities are required to provide a cumulative expenditure report in March each year, detailing expenditure to date for the current year for all the projects of that entity. Submitting an audited annual report for each project and a final report on completion of the project to DPIRD are still requirements for every Royalties for Regions project.

We issued audit opinions on the each Royalties for Regions project's Statement of Receipts and Payments listed below. The opinions were that, in all material respects, the funding was used as approved by the existing Memorandum of Understanding or in accordance with the new terms and conditions agreed when the funding was approved.

Certification opinions, primarily for the 2018-19 financial year, were issued on the Statements of Receipts and Payments for 121 approved projects at the following entities. These Royalties for Regions program payments totalled \$343.7 million.

Delivering entity	Royalties for Regions approved projects	Date certification issued
Country Local Government Fund		
Department of Local Government, Sport and Cultural Industries	Local Government Capacity Building and Regional Reform	31/10/2019
Regional Community Services Fund		
Commissioner of Main Roads	Bidyadanga Road (Kimberley)	07/10/2019
Department of Jobs, Tourism, Science and Innovation	Brand WA Stage 2	15/10/2019
	Develop Services Land at Kemerton and Shotts Strategic Industrial Areas	15/10/2019
	Science and Agribusiness Connect (SAC) Program	15/10/2019
Department of Justice	Enhanced Driver Training and Education for Regional and Remote Communities 2018-19 to 2019-20	07/10/2019
	Enhanced Services for Victims of Crime Within Regional and Remote Communities	07/10/2019
	Regional Youth Justice Strategy – Kimberley and Pilbara Regions	07/10/2019
Department of Local Government, Sport and Cultural Industries	Beach Emergency Numbering Systems Project (BENS)	31/10/2019
	Centennial Park Sporting Redevelopment - Stage 2 – Eastern Precinct	31/10/2019
	Creative Regions Program	31/10/2019
	Dalyellup Surf Club Facility Upgrade	31/10/2019
	Goldfields Arts Centre Maintenance 2017-18 to 2021-22	31/10/2019
	Great Southern Motor Sports Park - Planning	31/10/2019
	Hay Park Upgrades – Bunbury	31/10/2019
	Kimberley Aboriginal Law and Cultural Centre – Teaching Traditional Languages	31/10/2019

Department of Local Government, Sport and Cultural Industries	Motoring South West – Marketing Campaign	31/10/2019
	Regional Athlete Support Program	31/10/2019
	Regional Exhibition Touring Boost Program	31/10/2019
Department of Primary Industries and Regional Development	Asian Market Success	13/06/2019
	Boosting Grains Research and Development Fund	28/06/2019
	Boosting Western Biosecurity Defences	02/10/2019
	E-Connected Grainbelt	13/06/2019
	WA Open for Business	13/06/2019
Department of the Premier and Cabinet	Dampier Peninsula Project	07/10/2019
Department of Training and Workforce Development	Muresk Institute Agricultural Degree (2018-19 to 2019-20)	27/09/2019
	Muresk Institute Agriculture Skills Development Pathway (2018/19)	27/09/2019
Department of Transport	Broome Boat Harbour Planning (Broome Marina Planning)	04/10/2019
	Broome Boating Facilities Upgrade – Town Beach	04/10/2019
	Country Age Pension Fuel Card Scheme 2018-19 to 2020-21	04/10/2019
	Geraldton Airport Runway Pavement Renewal	04/10/2019
	On-demand Transport – Regional Taxi Transition Fund	04/10/2019
	Planning for the Upgrades of Bremer Bay Boat Harbour	04/10/2019
Library Board of Western Australia	Better Beginnings Family Literacy 2017-18 to 2019-20	27/09/2019
Mental Health Commission	Alcohol and Drug Residential Rehabilitation and Low Medical Withdrawal Beds in the South West Region of Western Australia	15/10/2019
	Alcohol and Other Drug Residential Rehabilitation and Treatment Services in the Kimberley Business Case	15/10/2019
	Community Subacute and Non-acute Mental Health Services in Karratha and Bunbury	15/10/2019
	Ice Breakers Program – Albany	15/10/2019
	North West Drug and Alcohol Support Program	15/10/2019
	3 Tier Youth Mental Health Program	15/10/2019
North Metropolitan Health Service	Find Cancer Early	26/09/2019
Perth Theatre Trust	Albany Entertainment Centre	27/09/2019
Police Service	Regional Traffic Enforcement Unit	27/09/2019
	WA Police Regional Incentive Scheme 2018-19	27/09/2019
Public Transport Authority of Western Australia	Rail Future Fund – Upgrade to Cookernup and North Dandalup stations and completion of Yarloop	01/10/2019
Racing and Wagering Western Australia	Support for Racecourse Infrastructure Grants Program	08/09/2019
WA Country Health Service	Digital Innovation, Transport and Access to Care	31/10/2019
	Emergency and Acute Workforce	31/10/2019

WA Country Health Service	Expand the Ear Bus Project	31/10/2019
	Geraldton Health Campus Redevelopment Project Stage one	31/10/2019
	Meet and Greet Service	31/10/2019
	Remote Indigenous Health Clinics	31/10/2019
	Renal Service	31/10/2019
	Residential Aged and Dementia Care Investment Program	31/10/2019
	Valley View Aged Care Centre	31/10/2019
Western Australian Land Authority	Albany Middleton Beach Stage 2: Middleton Beach Redevelopment Precinct Enhancements	07/10/2019
	Transforming Bunbury Waterfront Stage 3 – Business Case Development	07/10/2019
Western Australian Museum	Gwoonwardu Mia Cultural Centre Carnarvon	20/09/2019
	Regional Collections Development Program (Regional Museum Grants)	20/09/2019
Western Australian Tourism Commission	Aboriginal Tourism Development Program	26/09/2019
	Brand WA – Destination Marketing	26/09/2019
	Brand WA – Event Tourism 2018-19; 2019-20; 2020-21; 2021-22; 2022-23	26/09/2019
	Ferguson Valley and Wellington Forest Marketing	26/09/2019
	Regional Events Program 2015-16 to 2017-18	26/09/2019
Regional Infrastructure and Headworks		
Commissioner of Main Roads	Aglime Routes Upgrade Project	07/10/2019
	Albany Ring Road, Design, Preconstruction, Construction Activities	07/10/2019
	Broome Cape Leveque Road	07/10/2019
	Bunbury Outer Ring Road Design and Technical Assessment (Final acquittal 01/07/2017 – 30/06/2019)	16/07/2019
	Collie Preston Road Upgrades	07/10/2019
	Coolgardie-Esperance Highway (Goldfields) – Widen, Overlay and Reconstruction	07/10/2019
	Great Eastern Highway – Dual Anzac Road to Gatacre, Kalgoorlie	07/10/2019
	Great Northern Highway – Bow River Bridge (Final acquittal 01/09/2017 – 30/06/2019)	16/07/2019
	Great Northern Highway – Gibb River Road	07/10/2019
	Great Northern Highway – Maggie Creek to Wyndham	07/10/2019
	Great Northern Highway – Ord River North (Turkey Creek)	07/10/2019
	Karratha – Tom Price – Sealing of 50km to Millstream	07/10/2019
	Marble Bar Road – Coongan Gorge	07/10/2019
	Margaret River Perimeter Road	07/10/2019
	New Road Alignment Study Dongara to Northampton	07/10/2019

Commissioner of Main Roads	Outback Way – Seal Priority Sections	07/10/2019
	South Coast Highway – Widening Pfeiffer Road Manypeaks to Jerramungup Road	07/10/2019
	Square Kilometre Array Roads	07/10/2019
Department of Justice	Bunbury Regional Prison	07/10/2019
	Community Safety Network – Regional Radio Network	07/10/2019
	Community Safety Network – WAPOL	27/09/2019
	Fitzroy Crossing Courthouse Replacement	07/10/2019
	Kununurra Courthouse	07/10/2019
Department of Primary Industries and Regional Development	Pilbara Hinterland Agricultural Development Initiative for year ended 30 June 2018	04/07/2019
Department of Training and Workforce Development	Peel Workforce Development Centre	27/09/2019
	Major Upgrade to Collie TAFE	27/09/2019
Department of Training and Workforce Development - Skills Training Initiatives	Aboriginal Youth Transitions Program	27/09/2019
	Aboriginal Youth Transitions Program – Final Acquittal 01/07/2015 – 30/06/2019	23/10/2019
Department of Transport	Recreational Boating Facilities Scheme – Rounds 16-20	04/10/2019
	Transforming Bunbury's Waterfront – Stage (Jetty Road)	04/10/2019
Department of Water and Environmental Regulation	Regional Estuaries Initiative	27/09/2019
	Revitalising the Waterways of Geographe Bay	27/09/2019
	Watering Western Australia	27/09/2019
Mental Health Commission	Mental Health Step Up / Step Down Facilities – Kalgoorlie/Goldfields	15/10/2019
Police Service	Air-conditioning at Five Remove Multifunctional Policing Facilities	27/09/2019
	Capel Police Station	27/09/2019
	Commonwealth Legislated Radio Frequency Change - Police Radio Network	27/09/2019
	Community Safety Network/Regional Radio Network Replacement Program	27/09/2019
	Community Safety Network/Regional Radio Network 2017-18 – 2020-21 – WA Police	27/09/2019
Public Transport Authority	Rail to Kemerton Industrial Park	01/10/2019
Regional Power Corporation (Horizon Power)	Pilbara Underground Power Project Phase 2	19/07/2019
WA Country Health Service	Derby Community Health Service	31/10/2019
	Karratha Health Campus	31/10/2019
	Newman Health Service Redevelopment	31/10/2019
	Onslow Health Service Redevelopment	31/10/2019
	Pilbara Health Initiative Phase 2	31/10/2019
	Southern Inland Health Initiative Capital Works Program (Streams 2A, 3 and 4)	31/10/2019

Western Australian Land Authority	Batavia Coast Marina Stage 2 Remediation	07/10/2019
	Karratha City Centre Infrastructure Works Project Stage 2A & 2B	07/10/2019
	Karratha City of the North Project	07/10/2019
	Newman Town Centre Revitalisation – Stage 3	07/10/2019
	Port Hedland Hospital Demolition and Site Remediation	07/10/2019
	Port Hedland Waterfront Revitalisation – Spoilbank Marina Concept Design and Estimates	07/10/2019
	South Hedland Town Centre Revitalisation Stage 2	07/10/2019
	Transforming Bunbury Waterfront Stage 2 – Casuarina Drive Redevelopment	07/10/2019
	Transform Peel Phase 1: Peel Business Park, Nambeelup	07/10/2019
Administration of the Royalties for Regions Fund		
Department of Treasury	Governance for Royalties for Regions Program	11/09/2019

Appendix 4: Local government entities audited

Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities, Report 15, March 2019, included the results and findings from the first 42 of 46 local government entities audited by the OAG for the 2017-18 financial year.

Four entities were not ready for audit at that time. The results of two auditor's reports were included in Audit Results Report – Annual 2018 Financial Audits, Report 19, May 2019, and the remaining two in this report.

Local government entities Auditor's report on 2017-18 financial reports and certifications completed since 8 May 2019	
Shire of Menzies	04/07/2019
Shire of Ravensthorpe – Qualified opinion The Shire's infrastructure assets had not been revalued since 30 June 2015 and there was insufficient records to substantiate this previous valuation. Appropriate audit evidence was not available to confirm that infrastructure assets reported in the statement of financial position at 30 June 2018 represented fair value in accordance with Regulation 17A of the <i>Local Government (Financial Management) Regulations 1996</i> , or whether any adjustment to the value was necessary	28/06/2019
Certification of Claims by Administrative Authorities -Pensioner Deferments under the <i>Rates and Charges (Rebates and Deferments) Act 1992</i> for the year ended 30/06/2018 for:	
• City of South Perth	27/06/2019
• Town of Cambridge	09/05/2019

Glossary and abbreviations

AASB	Australian Accounting Standards Board
AG Act	<i>Auditor General Act 2006</i>
ARSF	Annual Report on State Finances
AUASB	Auditing and Assurance Standards Board
Clear opinion (or unqualified opinion)	Auditor General's opinion expressed when an audit concludes that in all material respects the financial statements, controls and KPIs are presented fairly in accordance with the enabling legislation of the entity, Australian Accounting Standards (including Australian Accounting Interpretations) and the Treasurer's Instructions.
Contract audit	Audit of an entity undertaken by an appropriately qualified individual or firm, on behalf of the Auditor General, appointed under a contract.
Entity	Term used to describe entities audited by the Auditor General, including departments, statutory authorities, corporations, subsidiaries, request audits and cemetery boards.
Financial audit	Work performed to enable an opinion to be expressed regarding a report about financial or performance matters prepared by the party who is accountable for the financial transactions or the performance summary.
FM Act	<i>Financial Management Act 2006</i>
IS	Information systems, primarily computerised systems
KPI	Key performance indicator – information about critical or material aspects of service performance or outcome achievement.
Management letter	Letter to entity management that conveys significant audit findings and results of the audit. A copy is also sent to the responsible Minister.
Materiality	The characteristic based on the size and/or nature of an omission or misstatement of accounting, performance or compliance information that, in the light of context or circumstances, has the potential to adversely affect the economic decisions of users of the information or the discharge of accountability by senior management.
Matter of Significance	An item of concern in relation to an entity's financial statements, key performance indicators or controls which does not warrant a qualified opinion.
MOG	Machinery of Government, refers to 1 July 2017 amalgamations of government departments and statutory authorities
OAG	Office of the Auditor General, Western Australia
Qualified opinion	Auditor General's opinion expressed when an audit identifies that the financial statements or KPIs are likely to be misleading to users, controls were inadequate, there was material conflict with applicable financial reporting frameworks or a limitation of scope on audit work.
SCI	Statement of Corporate Intent
Significance	Relative importance in the circumstances, in relation to audit objectives, of an item, event or information, or problem the auditor identifies.
TI	Treasurer's Instructions – prescribed requirements for financial administration at a minimum level that have the force of law and must be observed by public sector entities under the FM Act.
Treasury	Department of Treasury

Auditor General's reports

Report number	2019-20 reports	Date tabled
11	Opinion on Ministerial Notification	30 October 2019
10	Working with Children Checks – Follow-up	23 October 2019
9	An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017	9 October 2019
8	Opinions on Ministerial Notifications	8 October 2019
7	Opinion on Ministerial Notification	26 September 2019
6	Opinions on Ministerial Notifications	18 September 2019
5	Fraud Prevention in Local Government	15 August 2019
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019

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