



Annual Report

2021-2022





Vision

Supporting accountability and continuous improvement in the public sector through an informed Parliament and community.

Mission

Serve the public interest through independent auditing and reporting on State and local government finances and performance.

Values

Integrity – Quality – Service

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.

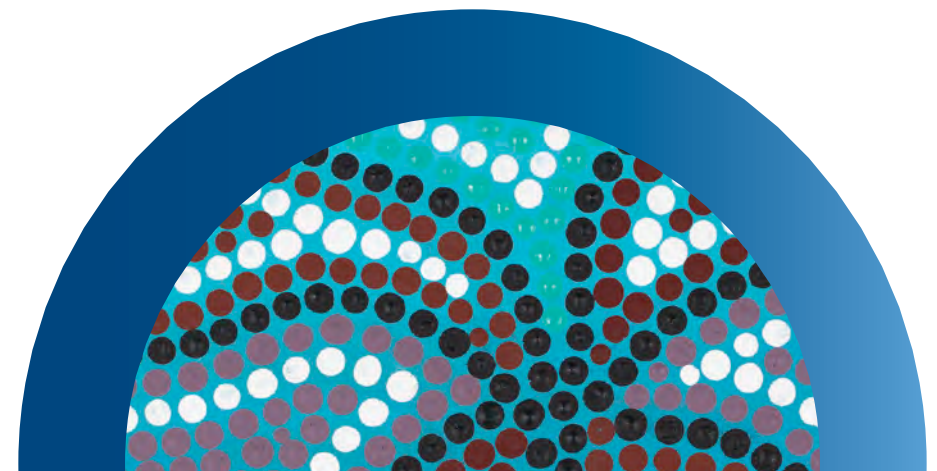
National Relay Service TTY: 133 677 (to assist people with hearing and voice impairment).

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Welcome

Welcome to the Office of the Auditor General's Annual Report 2021-2022.

This report describes our performance and the services we delivered during the year to inform Parliament on public sector accountability and performance. You can access this and earlier annual reports on our website at audit.wa.gov.au.

This year our theme is capability. We have focused on how we have strengthened our own capability and that of the public sector. We have structured the report around our *Strategic Plan 2021-2025* and the four result areas – strengthening our capability, demonstrating excellence, delivering results, and adapting and innovating.

It also describes our functions and operations, and presents the audited financial statements and key performance indicators for the year ended 30 June 2022.

Feedback

To help us improve our future annual reports we value feedback and comments. You can contact us by:

- emailing info@audit.wa.gov.au
- completing our online form at audit.wa.gov.au/contact-us
- writing to PO Box 8489, PERTH BC WA 6849.



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2022

In accordance with section 63, as modified by Schedule 3, of the *Financial Management Act 2006*, I hereby submit to Parliament for its information the Annual Report of the Office of the Auditor General for the year ended 30 June 2022.

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

Caroline Spencer
Auditor General
27 September 2022

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About us

The Auditor General is an independent officer of the Parliament with responsibility for auditing the Western Australian (WA) public sector.

The Auditor General has complete discretion in the performance of these functions. This independence and freedom from pressure, influence or interference is the cornerstone of public sector audit.

The Auditor General is appointed by the Governor of Western Australia for a 10-year term on the recommendation of the Treasurer and following consultation with parliamentary oversight committees. The Auditor General serves as an ex-officio member of the State Records Commission and has other responsibilities outlined in a variety of legislation, including the *Commonwealth Electoral Act 1918*.

In May 2018, Ms Caroline Spencer was appointed the State's 19th Auditor General.

The Office of the Auditor General (OAG) supports the Auditor General and is one of the largest audit practices in WA. The OAG is a public sector entity and the Auditor General is the chief executive officer and employer of staff.

The Auditor General reports directly to the Parliament of WA. Three parliamentary committees have oversight of our operations – the Legislative Assembly's Public Accounts Committee, the Legislative Council's Standing Committee on Estimates and Financial Operations and the Joint Standing Committee on Audit.

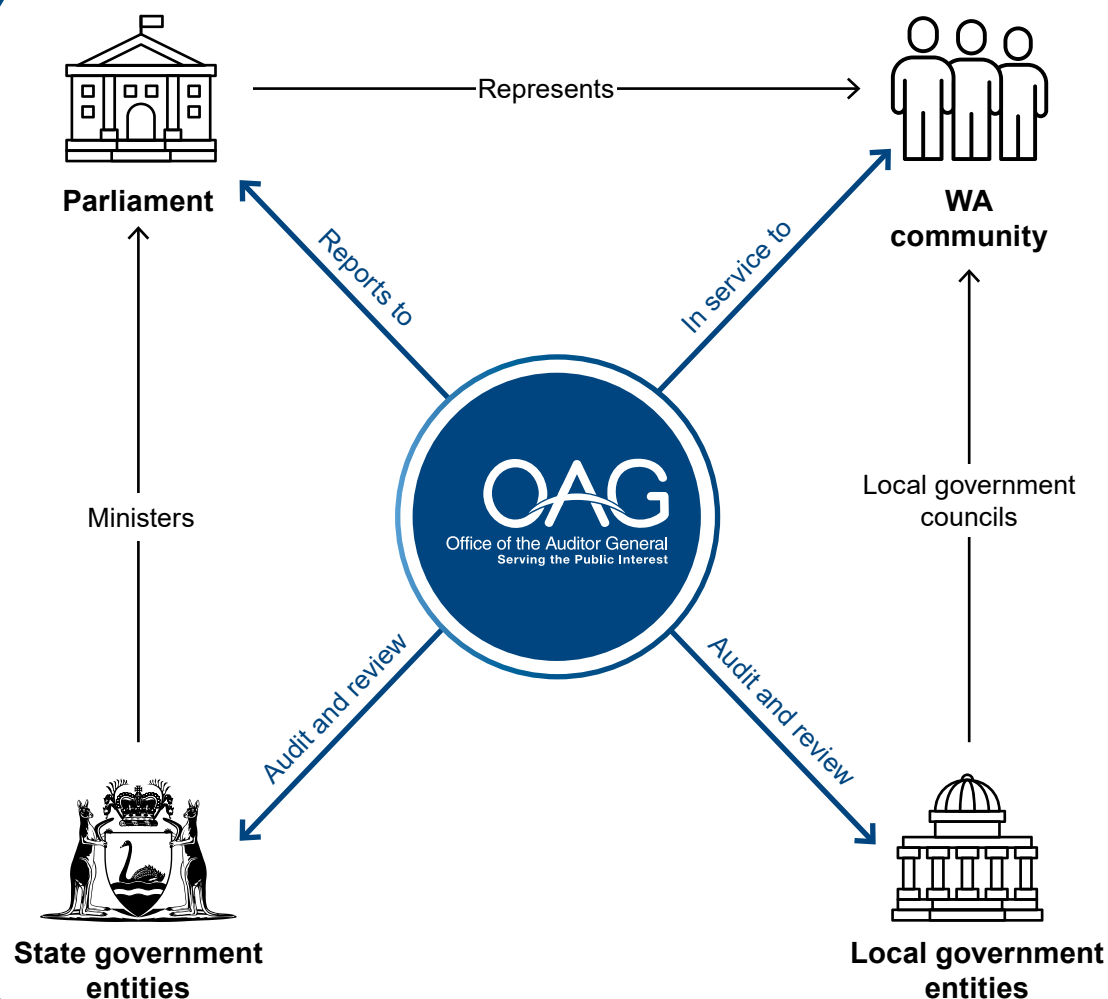


Figure 1: OAG reporting structure to Parliament

Our responsibilities

The Auditor General is responsible for:

- auditing the Annual Report on State Finances
- conducting annual financial statement, key performance indicator and control audits, and issuing audit opinions for State government entities (departments, statutory authorities, tertiary institutions and corporatised entities)
- conducting annual financial statement audits and issuing audit opinions for local government entities (local governments and regional councils)
- undertaking wide-ranging performance audits to ensure there are adequate controls within State and local government entities, compliance with relevant legislation and most importantly efficiency and effectiveness of operations or programs
- reporting the results of audits to Parliament in an objective, competent, insightful and timely manner
- performing forensic examinations and audits to determine if there are indicators of fraud or wrongdoing in the State sector
- providing an opinion on whether a minister's decision not to provide information to Parliament was reasonable and appropriate
- functions under other legislation such as for certifying compliance with grants or other conditions.

In 2021-22, we achieved this with a budget of \$40 million, 209 employees and the professional resources of our contract audit firm delivery partners.





Executive summary from the Auditor General

Perhaps never has the OAG's role as the independent watchdog of public finances and public administration been more interesting. Our public institutions, on which our peace and comparative prosperity depend, continue to operate under heightened stress, disruption and fatigue due to frequently changing policy demands arising from the COVID-19 pandemic, and supply chain and labour market disruptions.

While an undoubtedly challenging time, State and local government entities need to maintain eternal vigilance in the pursuit of good governance so our community can have faith that the public sector is serving them well. Poor public governance can impair the delivery of essential services including health, education, waste, transport and utilities. Over a sustained period, it can also erode community faith in our democratic systems of government.

My Office has a vital role in monitoring and encouraging good financial reporting and governance across more than 300 entities while checking whether various services are delivered effectively and efficiently. While it is pleasing to see so many entities mindful of their enduring accountability obligations, some of the risks I flagged in last year's annual report have materialised. Our 2021 financial audits in particular, and my

“This year marked the final year of the four-year transition for all 148 WA local government entity financial audits to be the responsibility of the OAG.”

observations in recent months, indicate that some entities are struggling to maintain the key controls that underpin good governance and public administration while reconfiguring their operating arrangements around COVID-19 and the health impacts on their staff.

Of notable concern was the record number of State government entities (17) receiving qualified opinions on 31 separate matters for their 2020-21 audits. Many of these qualifications related to key controls around payroll, procurement and information systems security. There was a similarly notable increase in the number of audit findings unresolved from prior years. As I reported at the time, these are signs of focus diverted from essential foundational financial management and governance work.

Beyond our financial audit work, we have maintained a focus on providing independent

assurance and transparency around the delivery of COVID-19 initiatives including the SafeWA application, contact tracing system, vaccine roll-out, stimulus initiatives and local government financial hardship programs. We also collated data from our financial audits and from entities' annual reports, to report some social and economic COVID-19 impacts on both the public sector and the community.

Other audits led to reports promoting accountability by highlighting extremely serious control weaknesses in staff rostering practices within the State's prisons and the cyber security environments across the local government sector. In addition, our new Forensic Audit team leveraged the information obtained by our financial auditors to deliver its first investigative report identifying key risks in targeted areas of payment fraud within the Construction Training Fund's finance and payroll systems. The Forensic team also added to our extensive body of better

practice guidance for the sector, publishing a comprehensive resource on fraud risk management.

This year marked the final year of the four-year transition for all 148 WA local government entity financial audits to be the responsibility of the OAG. This has been a challenging period with local governments and regional councils adjusting to the demands of our robust audits, while we have also learnt about the intricacies of auditing this sector and dealing with an 80% increase in the number of entities we audit. However, our audits have brought greater rigour, scrutiny and oversight to local government entities and it has been pleasing to observe a reduction in the total number of management control weaknesses since 2018-19. This demonstrates clear effort by local government entities to respond to our audit findings thereby strengthening the integrity of their financial reporting environment.

“ Like many State and local government entities, we are currently confronted with resourcing constraints resulting from labour shortages exacerbated by suppressed levels of interstate and international migration. ”



It also validates the concerns Parliament had expressed around the variable audit quality local government entities were receiving before legislating for the OAG to become the sector's auditor. Challenges remain, particularly around lifting the standard of audit readiness across more entities to ensure timely delivery of financial audits. In this respect, I would like to acknowledge the recent efforts of the leadership team within the Department of Local Government, Sport and Cultural Industries to help build capability across the sector. It was also pleasing to note the recent passage of regulatory reforms we advocated for that should reduce the preparation and financial reporting burden for many of the State's smaller local government entities.

Like many State and local government entities, we are currently confronted with resourcing constraints resulting from labour shortages exacerbated by suppressed levels of interstate and international migration. This has been most acutely felt in our Financial Audit business unit, where the State's current shortage of qualified audit professionals has resulted in us deploying audit staff from across other business units to meet statutory financial audit reporting deadlines as they fall due. As a consequence, we have had to adopt increasingly rigid audit schedules with entities, which has increased the importance

of them providing us with access to key audit information and relevant personnel within agreed timeframes to avoid delays. I wrote to entities earlier this year advising of this risk, but not all have been in a position to deliver. This will lead to a number of late audit sign-offs for the 2021-22 financial year.

Full and timely audit access remains a key concern for my Office. While this has been a long-standing issue, impeded access is becoming more problematic due to the delays and additional cost it is causing our growing work program, which no longer has a quieter period. Where access to relevant audit information is impeded, engagement at senior levels diverts attention in my Office as well as in entities. This can impact timely finalisation of an audit or may lead to situations where our Office either cannot issue an opinion or can only issue a modified opinion.

This issue often arises from ongoing confusion in parts of the State sector around the scope of the Auditor General's audit access powers and the importance of these to maintaining auditor independence and, of course, the ability to perform our statutory

functions. During the year we sought legal advice from Senior Counsel to clarify access powers and inform a program of engagement with the Government and key stakeholders, with a view to providing the sector with clarity around the information we can obtain and how it is used. I am hopeful this will resolve what has been an enduring operational impediment and lead to greater efficiency in the audit process for both our Office and the entities we audit.

Despite the current operating challenges, it was very pleasing to see the results of a peer review of my Office's governance and audit practice management processes, which was conducted by former Tasmanian Auditor General, Mike Blake AM. Mr Blake assigned the same or higher ratings than we self-assessed across most of the audit quality components of the review.

Such findings are a testament to the resilience, adaptability and dedication of our audit teams and contract audit delivery partners, our corporate services staff and my Executive team whose collective efforts I wish to acknowledge.

I would also like to recognise the ongoing professionalism and care of so many senior leaders and staff from across the State and local government sectors with whom we interact. I commend their commitment to supporting the pursuit of good governance and quality public administration while often working at a frenzied pace in some trying circumstances.

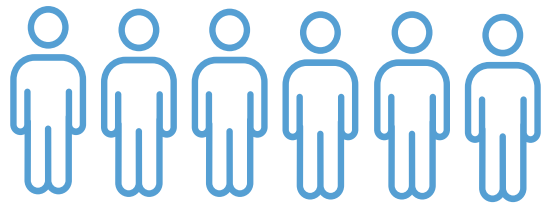


Caroline Spencer
Auditor General



Year in review

About us



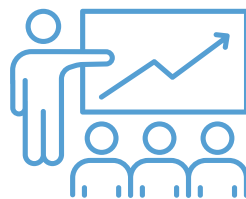
We have
209
employees



48%
are from culturally diverse
backgrounds



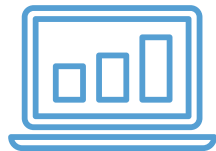
14
graduates started
with us in February
2022



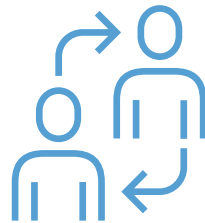
Over **26,000**
hours spent on professional development
including training on technical accounting
matters, standards updates as well as
being an accidental counsellor, giving a
presentation and executive coaching



We held
2
Audit Committee
Chair Forums and
2 Fraud Resilience
Forums



25%
of our current employees
started at the OAG in our
graduate program



20
people in and out
on secondments



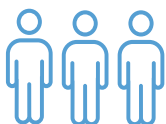
We celebrated
6 cultural and
social events
as an office

We audited

State government



170 entities
and subsidiaries



employing over
159,000 people

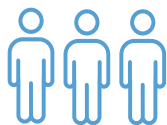


managing over
\$207 billion
in assets

Local government



148
entities



employing over
17,000 people



managing over
\$45 billion
in assets

We delivered



23
reports to
Parliament



including
3 opinions
on ministerial
notifications



392
certifications
of financial and
statistical
information



313
opinions
on financial
statements



better practice
guidance on
3 topics



We received
3 awards
including



We responded to over
160
complaints and referrals



2022 ACAG Performance Audit
Communications Award (national)



Gold Australasian Reporting
Award (national)



Silver W.S. Lonnie Award for the
101-1,000 FTE category (WA)



Highlights of 2021-2022



Information Systems and Performance Audit Graduates

For the first time we extended our graduate program to include performance and information systems audit disciplines. Recognising that information systems trained auditors are difficult to find, we decided to grow our own by taking on two graduates with cyber security qualifications. Also, three cadets from 2021 progressed into newly created graduate performance audit positions. They have diverse study backgrounds including criminology, industrial relations and law. We look forward to our new graduates building skills while auditing the variety of public sector entities and continuing their ongoing professional development.



ACAG Award

Our *SafeWA – Application Audit* won the 2022 Australasian Council of Auditors General (ACAG) Performance Audit Communication Award. The team was recognised for demonstrating the importance of maintaining communication with entities during the audit process. The team communicated audit findings with the entity which allowed these issues to be addressed promptly, even before the audit was finalised. ACAG acknowledged the impact of the report, as legislation was urgently passed during the audit, which we believe was a result of our early audit work. In addition, the report was recognised for the clear graphics used to relay key messages and for its low cost, representing good value for money.



Forensic Audit

Our newest business unit, Forensic Audit, is now well-established and tabled three reports to Parliament this year. The *Forensic Audit Report – Establishment Phase* details the purpose of the forensic audit function which is to improve the public sector's resilience to fraud and corruption. In June, we tabled a report into the fraud risk at the Construction Training Fund due to their disorganised financial management. We also tabled a better practice guide to help public sector entities increase their fraud resilience. The guide is intended to empower entities to control their risks of fraud and corruption, and provide tools to assist them to implement better practice. Moving forward, we will continue to monitor the sector for resilience to fraud and corruption, and ensure Parliament is informed of our progress.

Significant issues for 2022-2023



Capacity and resourcing

Like many professions and across WA, skill shortages are impacting our operations and this is expected to continue into next year. This is particularly significant in the areas of financial and information systems audit and data analytics. Like many public sector entities, we are trying to do the same amount or more work with less staff in key areas. We are continuing to explore innovative recruitment approaches and retention strategies including cadet and graduate programs, a pilot to pay overtime and increased professional development and coaching support opportunities.



Financial audit fee increase

Several factors have contributed to an increase in our financial audit fees. These include a rise in the volume of grant certification activities, the introduction of new accounting and auditing standards, and an increase in complexity for many audits across both State and local government sectors. However, the main factor is the price inflation for contract audit firms engaged to perform outsourced audits, reflecting a shortage in our profession which relies on global mobility. The OAG will not recover more than what is needed to efficiently deliver audits and all additional fees will be justified to audited entities.



New audit tool and financial audit methodologies

Over the next 12 months we will complete the final procurement phase and subsequently implement our new audit tool and financial audit methodologies. The project is expected to impose a broad staffing and financial impact as we pilot and implement the project, and train employees. When implemented, we look forward to the increased technical support and audit efficiencies.

Our performance

Financial performance

Full details of our financial performance are presented in the financial statements from page 92. The following summarises our actual versus target financial performance for 2021-22.

	2021-22 Actual \$'000	2021-22 Estimate \$'000
Total cost of services	40,043	40,799
Total income other than income from State Government	9,380	10,449
Net cost of services	30,663	30,350
Net increase/(decrease) in cash and cash equivalents	(1,506)	(612)
Total equity	15,700	16,029
Number of approved full time equivalent (FTE)	197	193

Table 1: Key elements of our financial performance

The total cost of services is lower due to staff vacancies during the year and the delay in the completion of some audits which impacted revenue from audit fees and net cost of services.

Key effectiveness performance

Our effectiveness indicator measures the extent to which we have informed Parliament about public sector accountability and performance against four specified categories:

- service delivery – focused on the direct provisions of government services to the public and other entities
- economic development – focused on government operations that support the economic advancement of WA and its interaction with the private sector
- social and environment – focused on government operations that support the social and environmental wellbeing of the people of WA
- governance – focused on entities' internal operations such as accountability and compliance with legislation.

Report category	2021-22 Actual	2021-22 Target	Status
Service delivery	6	8	✗
Economic development	3	4	✗
Social and environment	2	4	✗
Governance	12	12	✓
Total	23	28	✗

Table 2: Our effectiveness indicator

This financial year, we did not meet our target. We experienced a disrupted operating environment that included staff absences and shortages due to COVID-19, other illnesses and a significant lack of professional auditors. Similar absences were experienced in audited entities which contributed to delays in our progress and efficiencies. We are on track to deliver four reports early in the new financial year, some of which required extended engagement with the audited entities given the significance of the final findings and recommendations.

This year marked the start of a new three-year reporting target period. We remain confident that over the next two years, we will progress towards our three-year target of 84 reports. However, we are also focussed on the quality of our reports, their usefulness to the Parliament and the community and in improving public administration and will not sacrifice these aspects to achieve a quantitative measure.

Report category	2021-22 to 2023-24	
	Tabled	Target
Service delivery	7	22
Economic development	2	13
Social and environment	1	13
Governance	13	36
Total	23	84

Table 3: Three-year report target

Key efficiency performance

Our efficiency indicators measure our overall efficiency in delivering public sector auditing. The indicators report our costs (relative to government expenditure) and the average number of days taken to issue our audit opinions.

Efficiency indicator	2021-22 Actual (\$)	2021-22 Target (\$)	Status
Total audit cost per million dollars of gross government expenditure	537	527	✗
Attest (financial) audit cost per million dollars of gross government expenditure	429	385	✗
Performance audit cost per million dollars of gross government expenditure	108	142	✓
Average number of days taken after balance date to issue financial audit opinions for State government entities	79.5	68	✗

Table 4: Our efficiency indicators

The variance in total and attest audit costs is primarily due to an increase in our financial audit fees and charges relative to gross government expenditure, as a result of increased local government and forensic audit functions. The increase in average number of days taken to issue audit opinions is also reflective of the increasingly complex auditing and reporting issues we are identifying across the State sector, along with the ongoing difficulties in recruiting and retaining skilled staff, for our office, our contract audit firms and also for entity finance teams.

Full details of our key efficiency indicators including five-year trend data are available on page 133.

Performance management framework

State government entities work together to achieve the four high level goals and broader strategic outcomes of the State Government. The services and activities they deliver are linked to the goals and contribute to achieving the Government outcomes.

The OAG is a public sector entity established to support the Auditor General. The Auditor General is an independent officer of the Parliament and as such reports directly to Parliament and ultimately the people of WA, providing assurance about the efficient and effective delivery of services and the responsible management of the State's finances. We provide oversight of entities' performance aligned to the Government's four goals:

Government goal	Outcome
Safe, Strong and Fair Communities	Supporting our local and regional communities to thrive
Strong and Sustainable Finances	Responsible, achievable, affordable budget management
WA Jobs Plan	Diversifying the WA economy, creating local jobs for the future
Investing in WA's Future	Tackling climate action and supporting the arts, culture and sporting sectors to promote vibrant communities

Table 5: State Government goals

Our desired outcome against Government goals and the service we provide reflects this:

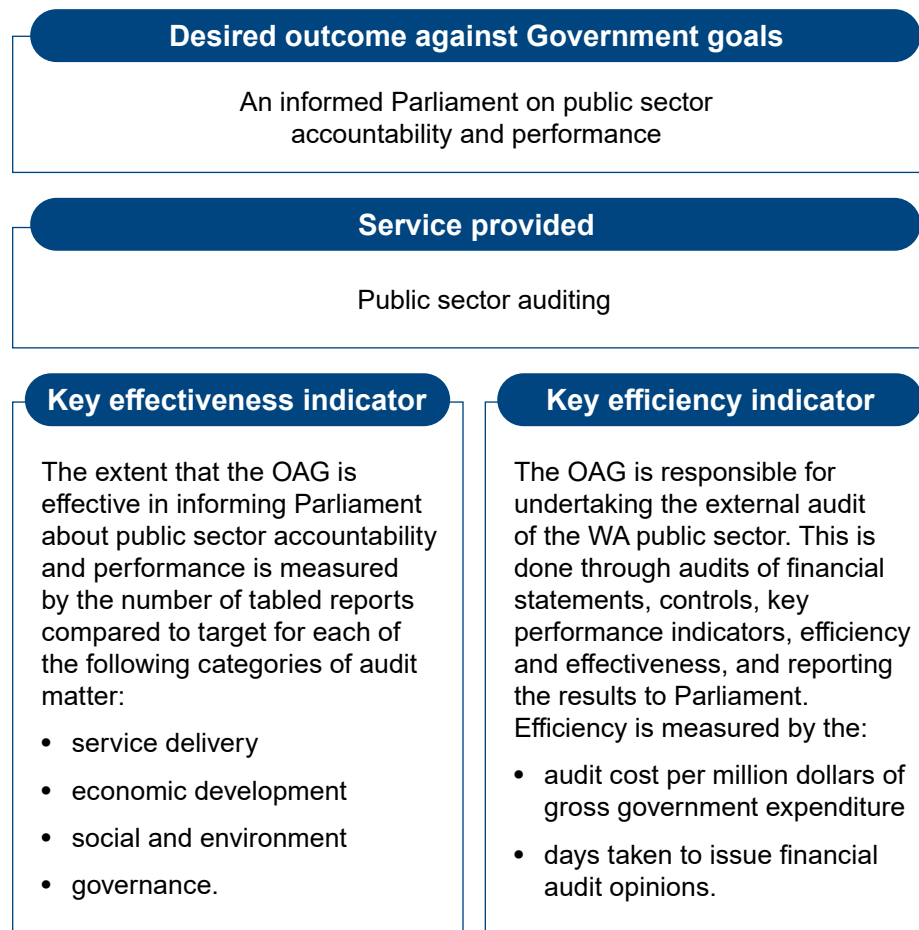


Table 6: Performance management framework

Enabling legislation

The Governor appoints the Auditor General under the *Auditor General Act 2006*. The OAG is a department of the public sector under the *Public Sector Management Act 1994*. As the accountable authority, the Auditor General must discharge responsibilities under the *Financial Management Act 2006*.

Key legislation

We have processes and controls in place to ensure that we comply with all State and Commonwealth legislation and regulations that affect our activities, including laws affecting entities and activities subject to audit by the Auditor General. The following laws have a direct impact on our operations:

- *Auditor General Act 2006*
- *Constitution Act 1889*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Industrial Relations Act 1979*
- *Local Government Act 1995*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Procurement Act 2020*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *Workers' Compensation and Injury Management Act 1981.*





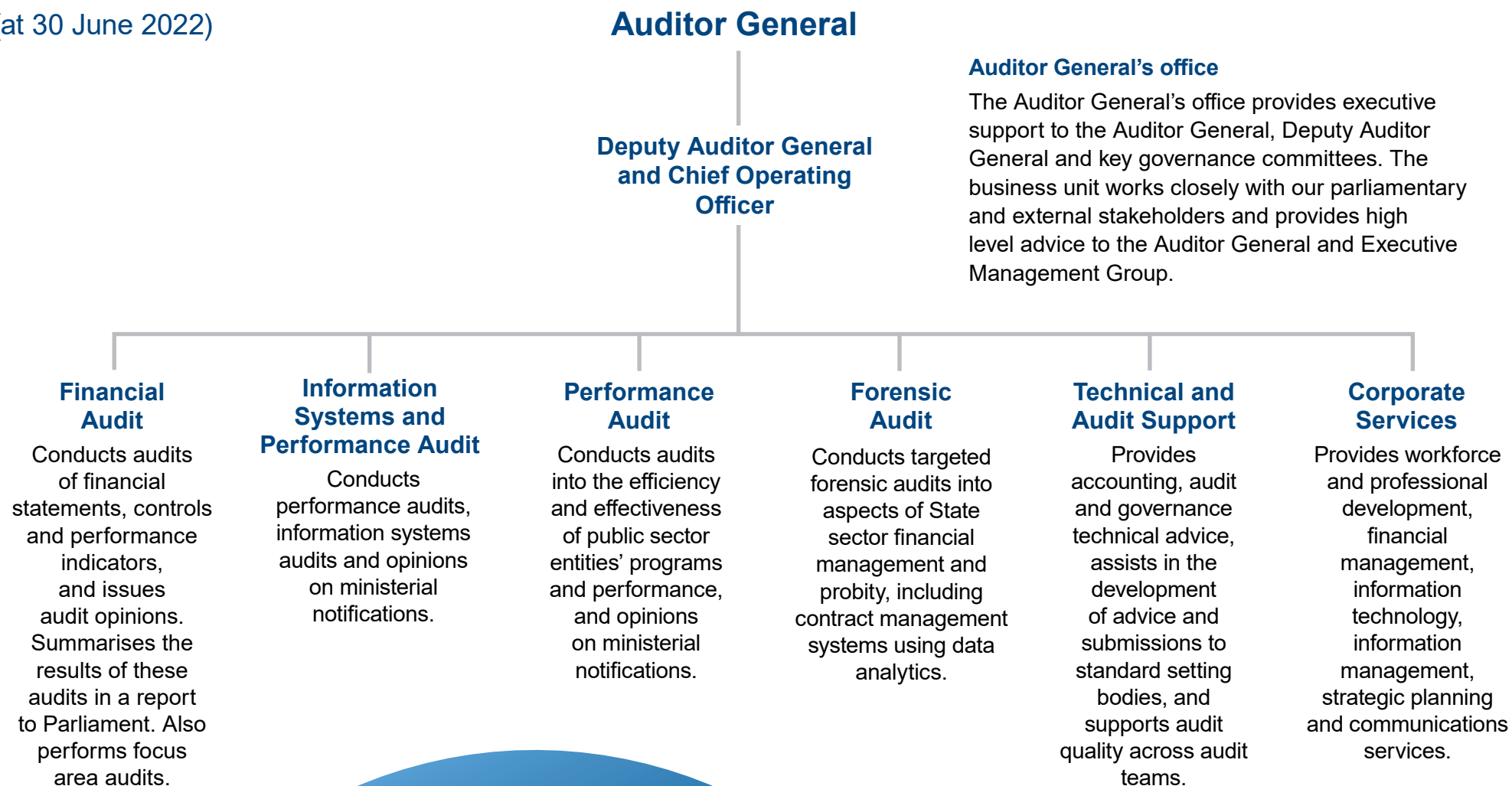
Executive Management Group

The OAG Executive Management Group is our team of senior leaders who assist the Auditor General to govern, plan, manage and lead our business. They set the strategic direction and organisational values that define our activities.

In addition to formal and weekly informal meetings, the Executive Management Group also holds specific strategic planning meetings. They monitor the implementation of our strategies and measure performance against targets. A number of committees with roles in governance, inter-office engagement and employee development provide them with strategic, operational and administrative support and advice.

OAG structure

(at 30 June 2022)



Executive Management Group biographies



Caroline Spencer

BBus, FCPA, FCA, GAICD, FGIA, FCIS

Auditor General

Caroline was appointed Auditor General in May 2018. Caroline led a public sector audit and governance firm in Canberra prior to her appointment. She has held a number of board and committee roles in various sectors across several jurisdictions. Caroline is an ex-officio member of the State Records Commission and a member of the Australian Accounting Standards Board.



Sandra Labuschagne

BCompt, Hons BCompt, CA (SA), CA

Deputy Auditor General and Chief Operating Officer

Sandra joined the OAG in 2012 and was appointed Deputy Auditor General in December 2018. She was designated as Chief Operating Officer in 2020. Sandra has extensive public and private sector auditing experience in South Africa, New Zealand and Australia.



Grant Robinson

BCom, FCA, FAICD

Assistant Auditor General Financial Audit

Grant joined the OAG in 2021 as Assistant Auditor General Financial Audit. Prior to this he was a partner of KPMG and has more than 38 years' experience as a Chartered Accountant and business advisor, as well as being a non-executive director of various organisations. Grant is experienced in external audit, financial analysis, compliance, governance and risk management.



Aloha Morrissey

BBus, Grad Dip Bus Admin, CPA

Assistant Auditor General Information Systems and Performance Audit

Aloha joined the OAG in 2002 and was appointed Assistant Auditor General in 2019. Prior to joining the OAG, Aloha held a range of investigation and audit positions with the Australian Securities and Investments Commission and the Australian Taxation Office.



Jason Beeley

BA Hons (Oxon), Dip Strategic Studies

Assistant Auditor General Performance Audit

Jason joined the OAG in 2006 and was appointed Assistant Auditor General in 2009. Jason previously worked with the UK National Audit Office conducting and managing value for money studies, mainly of the Ministry of Defence.



Carl Huxtable

BCom (Acc), CA

Assistant Auditor General Forensic Audit

Carl joined the OAG in 2020 and was appointed Assistant Auditor General in January 2022. A registered liquidator for 15 years prior to joining the OAG, Carl has extensive experience in financial investigations involving fraud and misconduct, many of which resulted in reports to regulators, enforcement entities and the courts.



Wian Oosthuizen

BAcc, Hons BCompt, Hons BAcc, CA (SA), CA

Acting Assistant Auditor General Technical and Audit Support

Wian joined the OAG in 2021 and since January 2022 has been Acting Assistant Auditor General of Technical and Audit Support. He has 17 years of State and local government auditing experience of which 13 years was with the Auditor General of South Africa, mostly working as a Senior Technical Manager.



Michael Cooper

BSc, GAICD, AFAIM

Executive Director Corporate Services

Michael joined the OAG in 2020 and was appointed Executive Director Corporate Services in September 2021. He has over 15 years' experience in the information technology sector and extensive experience leading large, dynamic teams across both public and private sectors.



Our strategic plan and direction

This is the first-year reporting against our *Strategic Plan 2021-2025*. It is centred around the following four pillars which we have identified as important in achieving our vision and mission.

Four pillars form the basis of our strategic plan:



Our people will always be our priority and this is why strengthening our capability is one of our new pillars. We will focus on building the skills and leadership abilities of our current employees as well as positioning ourselves to be an employer of choice. Having a capable and adequately staffed workforce will better equip us to deliver on our strategy and help us meet our vision of supporting accountability and continuous improvement in the public sector.

We will demonstrate excellence through leading by example and by setting the benchmark for other public sector entities. We always strive to meet, if not exceed, the good governance standards that we expect to see in the entities we audit.

The delivering results pillar encourages us to focus on the purpose of our work to help improve public sector accountability and performance. We will deliver credible assurance reports and advice that give Parliament, entities and the public confidence in our findings and recommendations. While we will always strive to meet our targets, we will prioritise quality reports over quantity.

Through adapting and innovating we will focus not only on our tools, but also our mindsets. We will implement modern, secure and resilient information systems and develop an office culture supportive of change, questioning and innovation. Embracing new technologies and enhancing approaches will enable us to streamline processes and become a more efficient and effective audit office to meet current and future needs.

The strategic plan is supported by individual business unit plans, as well as people and communication strategies. The individual plans identify initiatives each business unit will undertake to deliver the whole-of-office strategic plan. For each initiative a key performance indicator was identified, which guides reporting to Executive Management Group meetings.

We have updated our *Audit Practice Statement* to reflect the strategic plan.

Throughout this annual report we have focused on how we have strengthened our own capability and that of the public sector.



Strengthening our capability



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Strengthening our capability

What is our objective?

- build on our solid foundations to strengthen the skills and leadership capability of our motivated workforce

How will we do it better?

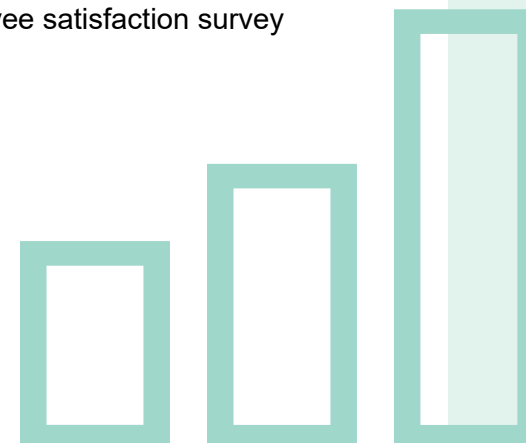
- broaden the appeal of the OAG
- enhance the efficiency of our recruitment processes
- reinforce a supportive work environment that presents interesting opportunities that challenge and develop people
- offer professional development journeys that support career pathways
- promote and support cross-portfolio experiences and networking opportunities
- provide regular messages and experiences for our staff that reinforces the value of our unique and important mission and their contribution to that

What we do

- attract, develop and retain the people we need

What does success look like?

- a resilient and collaborative workforce
- a published training menu aligned with our workforce capability framework that includes leadership development pathways
- positive employee satisfaction survey



Our people

We have a diverse cultural and social workforce. Our people have a broad range and depth of experience, well beyond simply accounting and auditing, in the private and public sectors with academic, not-for-profit, international, regulatory, economic and industry backgrounds. We are very proud of this diversity because it strengthens our capability, better reflects the vibrant WA community and makes the OAG a more enjoyable place to work.

At 30 June 2022, we employed 209 people which equates to 197.81 full time equivalent (FTE) employees.

Business unit	2017-18	2018-19	2019-20	2020-21	2021-22
Auditor General	5.00	5.00	5.60	5.50	4.00
Financial Audit	73.68	88.48	86.80	97.80	97.60
Forensic Audit			2.90	8.50	14.90
Information Systems and Performance Audit	17.44	20.84	20.55	20.87	28.88
Performance Audit	18.56	19.82	14.00	16.27	14.64
Technical and Audit Quality *	5.00	1.00	na	na	na
Technical and Audit Support *			2.00	7.20	4.80
Corporate Services #	25.50	23.10	20.90	26.30	32.99
Total	145.18	158.24	152.75	182.44	197.81

* Following the successful embedding of audit quality into our operational business units, we restructured to create a Technical and Audit Support business unit.

In September 2021, to better reflect the work that Business Services do it was renamed Corporate Services.

Table 7: FTE at 30 June for the last five years



Twenty-seven permanent employees left the OAG this year. Of those, nine transferred to other State government entities and five retired. With an increase in attrition and the current labour shortages in the auditing profession we have reviewed our attraction and retention strategies. Initiatives cover promotion of the workplace, rewards and benefits, learning and development, diversity, equity and inclusion, and culture.

In June, we expanded our support of professional body memberships to encourage employees to obtain and maintain their professional qualifications. Employees are now financially supported for up to two professional memberships and are members of various bodies including Chartered Accountants Australia and New Zealand, CPA Australia, ISACA (previously known as Information Systems Audit and Control Association), Institute of Public Accountants, Association of Chartered Certified Accountants, Institute of Internal Auditors, Australian Institute of Company Directors and Australian HR Institute.

Other initiatives will be rolled out over the next 12 months to enhance our recruiting competitiveness and employee retention.

Strengthening our capability



Government capability

In August 2021, our Assistant Auditor General Financial Audit, Grant Robinson, attended Government House for a special swearing-in ceremony that will enable him to step into the role of Acting Auditor General if ever required due to the Auditor General and Deputy Auditor General being unavailable to serve. Grant was sworn in by then Governor General, the Honourable Kim Beazley AC, and joined by his family and Deputy Auditor General Sandra Labuschagne. Sandra has previously been sworn in, as was Grant's predecessor.



Figure 2: Deputy Auditor General Sandra Labuschagne and Assistant Auditor General Financial Audit Grant Robinson with the Honourable Kim Beazley AC at Government House

Graduate program

Our graduate program delivers continual growth and future sustainability of our workforce. For the first time this year, we expanded the program to include information system and performance audit graduates, in addition to financial audit graduates. Not only does this broaden the appeal of the office, it allows us to develop skillsets in business areas typically hard to recruit for.

In February 2022, we welcomed 14 graduates, nine who were new to the office and five who transitioned from our 2021 cadet program.

Our graduates undertake a five-week induction and training program that includes an introduction to the OAG and the broader public sector, technical and practical auditing, and a three-week practicum.

Our support of the graduates continues with a three-year training program of key technical development and mandatory professional studies.



Figure 3: Some of our 2022 graduates

Mikey, Director Financial Audit



*I joined the OAG as a graduate in 2011 and having progressed through many different levels over the years, I have recently been promoted to Director Financial Audit. I'm thankful I've had mentors invest **significant time and patience into supporting and training me** which has aided my career progression and I'd like to think I am now doing the same for new graduates and other junior staff. Sharing knowledge and experiences with one another is the lifeblood of our Financial Audit team and keeps everyone engaged. Every day I learn new things about our clients and the critical services government provides, and just how important it is to get the numbers right so people can rely on the State's audited finances. No matter what life throws at us, the OAG has always been very supportive, and I highly recommend it as a workplace for current and future auditors.*



When I decided to change careers, I found myself at the OAG as part of the 2014 financial audit graduate program, which has made for a very rewarding and exciting career. The OAG's mission and vision, which have largely remained the same, align closely with my passion to serve the public interest, and support accountability and improvement within the public sector. I found my past experience across a number of industries as well as the training I received as part of the graduate program has set me up for success at the OAG. Throughout my time here I have worked on projects within Information Systems Audit, Performance Audit and I have been fortunate to be part of the establishment team for the Forensic Audit business unit, a field I trained and have long been interested in. The graduate program is a great stepping stone to more opportunities within the business.



This year we reviewed the structure and content of our graduate program. We identified changes to make it more attractive to candidates and to broaden the skills and experience graduates will obtain. We intend to roll-out these changes for our 2023 cohort and after reviewing their success, will look to reinvigorate our cadet program as a feeder to the graduate program.

Cadet program

In 2021, we trialled a cadetship program for university students. The program was part time and provided students with development opportunities. Seven students participated in the program from a range of disciplines including business, law and social sciences. As well as rotating through all business units, the cadets worked on a project to redesign the career pages on our website, including developing promotional videos about our office and graduate and cadet programs. Their work leaves a lasting legacy of our office. Following the program, five cadets were successful in obtaining positions in our 2022 graduate program.

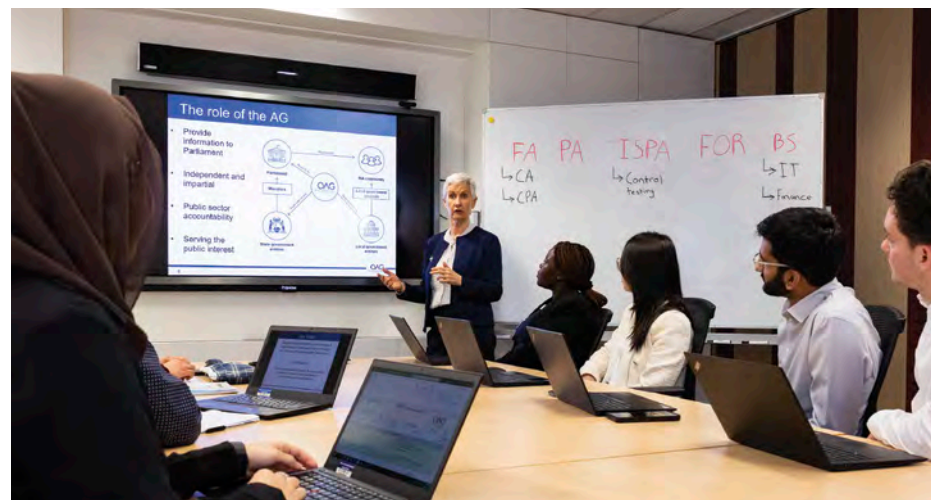


Figure 4: Cadet induction

University liaison program

To attract people to our workplace, we maintain a strong liaison with WA universities through:

- targeted sponsorship of business school prizes and scholarships
- placement opportunities for Edith Cowan University students in our information systems audit and information technology teams
- advertising graduate opportunities through university career hubs
- building relationships with university career advisors for direct engagement with students
- employees presenting to students about auditing, accounting and their professional experience.

These valuable strategic relationships promote not only the OAG, but the broader public sector as a potential employer to high calibre students.



Figure 5: Dr Tricia Ong PhD, Lecturer, ECU thanking Derek Tsang, Director Financial Reporting Advisory for presenting to her students

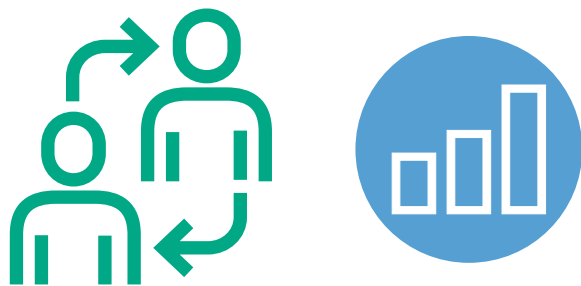
Secondments

Placements	2017-18	2018-19	2019-20	2020-21	2021-22
Into OAG	6	7	16	5	6
Out of OAG	9	10	12	14	14
Total	15	17	28	19	20

Table 8: Secondments in and out of the OAG for the last five years

Secondments between WA public sector entities are a cost-effective, efficient practice as all employees carry acquired skills and knowledge back to their home entities. Employees seconded in from other entities benefit the OAG through their different perspectives, ideas and suggestions. Seconding OAG employees out broadens and increases their experience, expertise and skillsets and helps build further understanding of the OAG's unique role in the sector.

This year, with the Corruption and Crime Commission, we again provided a secondment opportunity for our financial audit graduates. Following their first year, the graduates are invited to apply for a one-year secondment to the Corruption and Crime Commission's unexplained wealth division. The secondment arrangement, for two OAG employees, is beneficial for skill sharing and development across our two entities.



Building capability in the sector

OAG employee seconded to the Department of the Premier and Cabinet

*In 2021, the OAG supported my placement in the Department of the Premier and Cabinet for nine months. I was part of a team formed by the government to protect vulnerable people in remote Australia from the spread of COVID-19. The team was drawn together from an eclectic mix of people from different backgrounds. Unlike traditional secondment arrangements, everyone kept official ties to their own entity which enabled us to cut through the bureaucratic roadblocks and silos. **It was eye-opening to experience how much it is possible to achieve by working flexibly across traditional entity boundaries on something prioritised by Government.***

Building capability in the sector

Karen, Department of Education employee seconded to the OAG

My experience on secondment has been great. Having been in State government for over 10 years I have been involved in providing information to the OAG. In fact, I have always seen an audit as an opportunity to assess where you're at and identify alternative approaches to services being delivered. OAG audit findings are another opportunity to help elevate and highlight issues up the chain through management. My blinkered view of the OAG has altered a lot. Other than meeting and working with some amazing people, what I enjoyed the most was the OAG's independence, with a unique role of keeping government honest in serving the WA community. None of the usual internal politics that many of the State entities often hide behind!

I found the research that is undertaken in deciding topics and entities to audit very interesting, I never realised the mechanism behind how the OAG comes to the decision on what and who they will audit. I am really impressed that a lot of thought and research goes into audit topics through the pre-proposal and proposal process such as:

- *what will the audit findings provide, the so what effect*
- *establishing what lines of inquiries are sought, what outcomes are expected to be found*
- *has the topic been mentioned in Parliament or in Hansard.*

I did not participate in a full audit but I was involved in the reporting stage of an audit, I have never seen so many track changes! Writing the reports was really interesting and has given me new skills about structuring text and hitting the target.

There is a very high level of checking and cross referencing to ensure that the content of reports is valid, factual and backed up with evidence. Similarly, there is a high level of collaboration with entities through the audit and through procedural fairness.

My secondment may have only been six months but I have really enjoyed working with the OAG.

Professional development

Our annual professional development program is designed to meet the needs of the OAG and the career goals of individuals. It's varied, comprehensive and adaptive to legislative and policy framework changes, professional and technical standard updates, and input from our people.

Our program is primarily delivered through monthly technical and non-technical training at a whole-of-office and business unit level. We source specialist internal and external speakers to lead sessions. Governance, independence and risk management featured strongly this year, as did a focus on local government fundamentals.

Our internal subject matter experts deliver targeted sessions on specific topics and provide specialist or technical guidance. This is of particular importance and value to employees undertaking Certified Practising Accountant (CPA) or Chartered Accountants Australia and New Zealand (CA ANZ) post graduate accounting studies. Our status with these two accounting bodies continues and as a Recognised Employer Partner with CPA Australia our member employees have automatic continuing professional development recognition. Our status as a Recognised Training Employer with CA ANZ offers similar benefits to our employees who are provisional members.



Figure 6: Joshua Dawe from Channel 9 interviewing Auditor General Caroline Spencer on the WA's COVID-19 Vaccine Roll-out report

Our learning management system has allowed us to successfully roll out a range of regular online training courses to our employees such as monthly cyber security awareness training. We continue to develop and deliver more targeted training on emerging topics of interest or applicability.

This year we provided media and presentation training for our Executive Management Group and senior employees. Run by an external consultant, it focused on clearly delivering a message and maximising engagement with an audience. With many of our employees regularly presenting to members of Parliament, industry stakeholders and audit clients, it is critical they can confidently and clearly present key audit matters. Together with our long-running plain English training, these programs help our employees to become all-round effective communicators. To increase our employees' understanding of our relationship with Parliament and how it operates, we organised tours of Parliament House. In July 2021, over 70 employees attended the tours which included seeing both chambers, the committee offices and receiving presentations from our parliamentary oversight committees' staff.

Strengthening our capability



Leadership and management

During 2021-22, our Executive Management Group and a few emerging leaders participated in executive coaching. The individual coaching was preceded by a 360-degree evaluation process which allowed each person to gain an insight into their leadership and management styles, and improve their self-awareness. The sessions were personalised and focused on improving the way our leaders approach difficult and complex business problems, and improve their leadership capabilities. As part of our commitment to building public sector capability, we recognise it is important to lead from the front.

Equity and diversity

We appreciate the value of our diverse organisation and respect our people's different gender, race and cultural perspectives, and broad life experiences. We celebrate a wide range of events across the year and invite all employees to contribute plates of food and speak about what the cultural celebrations mean to them.

Equity and diversity	2017-18 (%)	2018-19 (%)	2019-20 (%)	2020-21 (%)	2021-22 (%)
Women	57.14	56.00	57.58	56.20	55.98
Aboriginal and Torres Strait Islander people	0	0.59	0.61	1.00	0.47
People from culturally and linguistically diverse backgrounds	54.65	53.84	47.27	45.90	48.80
People with disability	0.62	0.59	2.42	3.10	2.39
Youth (age 24 and below)	3.72	4.73	4.85	8.80	6.22

Table 9: Various diversity groups as a percentage of our workforce

The OAG celebrates diversity in thought and background. This is reflected in our workforce consisting of over 48% of employees from culturally and linguistically diverse backgrounds, compared with less than 16% across the wider public sector. We also have a young workforce, with a median age of 38 years compared with 45 for the WA public sector.



Figure 7: Celebrating Lunar New Year with traditional treats



Wellness

We want to ensure our employees achieve work-life balance and actively care for themselves so they can lead a full and healthy life. We offer a range of wellness initiatives including:

- prescription glasses subsidies
- ergonomic assessments including professional assessments for special requirements
- ergonomic accessories to support our mobile workforce
- *Well at Work* e-magazines with strategies, tips, recipes and exercises
- lunch and learn sessions on superannuation and salary sacrifice options
- flu vaccinations
- time to provide blood donations.

This year we encouraged our employees to get COVID-19 vaccinations and provided reasonable paid time off to receive it.

Strengthening our capability

Accidental counsellor training

This year we had 17 managers complete accidental counsellor training delivered by Lifeline. The training aimed to equip them with active listening, calming and gentle questioning skills so they can recognise and support colleagues (and others outside of the workplace) who are in distress or experiencing a crisis.

The training also covered referring people to appropriate professional services. We recognise that employees don't necessarily turn to managers when in need and as such, we intend to provide this training to more employees throughout 2022-23.



Employee assistance program

Our people are not solely employees and many factors affect their lives. Sometimes they need additional assistance or resources to help manage external factors that can impact emotional as well as physical wellbeing. One of the ways we offer support is through our employee assistance program. It provides independent counselling, advice, online articles, podcasts, meditations and support for a range of life issues. To ensure full support, we extend the program to immediate family members.

We use the provider's annual de-identified reports to determine any trends and take action such as awareness raising, health and wellbeing promotion and training. While employees can raise issues directly with us, our provider's contact and appointments are highly confidential. It is a program that the Executive Management Group remains committed to supporting for the wellbeing of our people.



Figure 8: Christmas gift appeal collection

Giving back

Many of our employees contribute to their local communities including as Justices of the Peace and members of school boards and community sporting clubs. We are proud their professional skills can be used outside of the workplace and to the benefit of the community.

Each year we invite our employees to donate gifts for a chosen charity's Christmas gift appeal. This year we joined with our Albert Facey House neighbours, the Economic Regulation Authority, Commissioner for Children and Young People and Equal Opportunity Commission, to collect gifts for children in out-of-home care.





Demonstrating excellence



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Demonstrating excellence

What is our objective?

- model exemplary standards in how we undertake our business

How will we do it better?

- streamline and standardise the audit process through robust and fit-for-purpose methodology and tools that comply with applicable standards
- actively identify, validate and implement efficiencies and innovations to our internal control environment
- participate, share and learn from multi-jurisdictional and professional forums
- practice what we preach – good governance underpinned with accurate, timely value-for-money audits

What we do

- strengthen and continuously improve business processes and our performance against key performance metrics

What does success look like?

- recognised as champions of good governance, integrity and probity
- our practices set the benchmark for public sector entities
- audits are delivered on time and on budget
- relatable and impactful reports that focus on serving the public sector and that stakeholders engage with



OAG oversight

We are often asked who audits the Auditor General and the answer is, many people do. We are subject to various oversight and review processes, which we value as they hold us accountable to those we serve, and provide us and our stakeholders with assurance that our processes are effective, efficient and evolving as necessary.

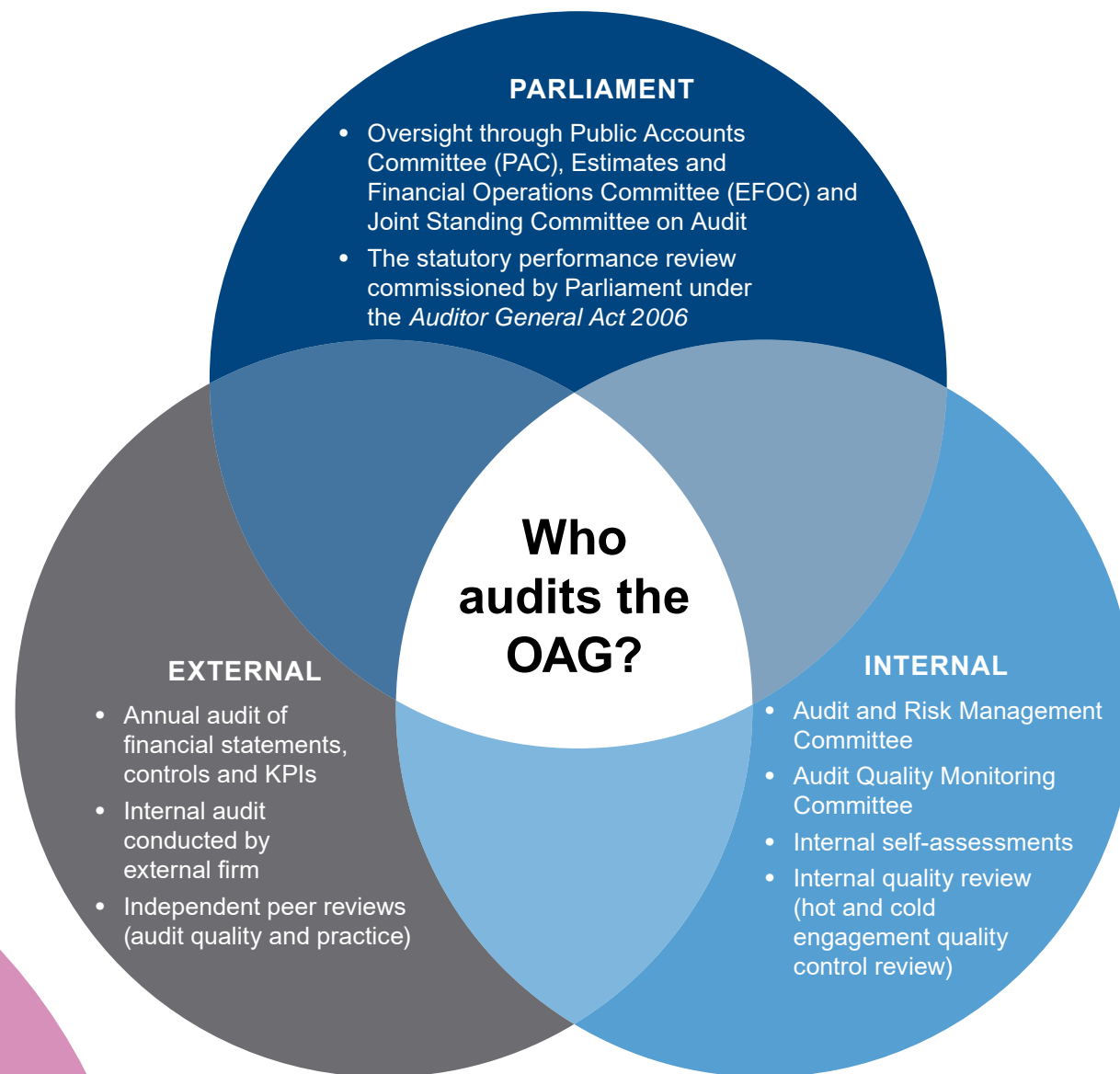


Figure 9: Oversight of the OAG



Audit and Risk Management Committee

Members

- Peter Wilson AM, Independent Chair, holds non-executive director roles in various sectors, appointed September 2021
- Trish Ridsdale, Independent Member, holds senior executive and non-executive director roles in various sectors with significant experience in governance and risk, appointed January 2022
- Aloha Morrissey, Assistant Auditor General Information Systems and Performance Audit
- Kamran Aslam, Senior Director Information Systems and Performance Audit
- Kevin Ng, Assistant Director

Lee Wilson, Chief Audit, Security and Compliance Officer, provided the secretariat function.

Des Pearson AO, Independent Chair, and Andrew Harris, Director Performance Audit, completed their tenures in September 2021 and August 2021, respectively.

The objective of the Audit and Risk Management Committee (ARMC) is to provide independent assurance to the Auditor General and the Executive Management Group by monitoring, reviewing and providing assistance about the governance arrangements, risk management and control frameworks of the OAG and its external reporting and accountability obligations.

Internal control

An effective internal control system provides reasonable assurance that:

- assets are safeguarded
- financial and other information is reliable
- laws, directions and OAG policies are being complied with
- errors and fraud are prevented.

Internal controls are used to help the OAG achieve its goals and objectives. By identifying uncertainty that could prevent achievement or be exploited to a positive advantage, we can identify what controls we need to have in place. The OAG has implemented a four lines of defence model to provide assurance over our internal control environment. The ARMC oversees this, providing advice and input into continuous improvement activities.

Risk management

We are committed to embedding a culture of achieving sufficient confidence when making decisions, by ensuring decision-makers are equipped with appropriate skills, experience and training. To achieve this, our risk management policy and framework have been designed to ensure decision-makers consider the impacts of uncertainty on our objectives.

Report from the ARMC Chair

The ARMC provides advice and assurance to the Auditor General on activities relating to governance, internal control, risk management, compliance, and financial and performance reporting.

I would like to acknowledge and thank Des Pearson AO for his excellent contributions during his tenure of service as chair of the ARMC.

I also thank Andrew Harris, who completed his second tenure of service on the committee in August 2021.

I welcome new member Trish Ridsdale, who has significant business experience and skills in governance that will contribute well to the ARMC's work program.

During 2021-22, the ARMC:

- considered and advised the Executive Management Group about attraction, recruitment and retention risk, relating to the acute auditor shortage being experienced by the sector
- provided advice to the Auditor General regarding mandatory vaccinations, lockdowns and pandemic-related restrictions
- monitored the delivery of major projects in the context of how risks were being managed
- oversaw the acquittal and implementation of internal audit recommendations and approved the 2022 Internal Audit Plan
- considered workplace health and safety data and trends, identifying areas for improvement and making recommendations to enhance reporting
- identified opportunities for improvement in compliance assurance, internal audit reporting and information security reporting.

I wish to conclude with a note of thanks to all ARMC and secretariat members for their positive and professional contributions during the last financial year.

Peter Wilson AM

Independent Audit and Risk Management Committee Chair



Audit Quality Monitoring Committee

Members

- Sandra Labuschagne, Chair, Deputy Auditor General
- Efthalia Samaras, Senior Director Financial Audit
- Adam Dias, Director Information Systems Performance Audit
- Andrew Harris, Director Performance Audit
- Tim Hughes, Principal Advisor

Lee Wilson, Chief Audit, Security and Compliance Officer provided the secretariat function.

The objective of the Audit Quality Monitoring Committee (AQMC) is to:

- monitor the system of quality control and provide the Auditor General with reasonable assurance that the OAG complies with the requirements of Australian Auditing and Assurance Standards
- review the efficiency and effectiveness of the OAG's quality control processes
- enable a collegial and constructive quality control monitoring process that provides appropriately contextualised and calibrated advice to support continual improvement.

Quality is one of our values. It is essential to how we provide credible work that makes a difference. We strive to deliver above expectations, being agile to improve our efficiency and effectiveness. To us, audit quality is more than just meeting professional standards and public sector compliance requirements.

Quality control

The AQMC provides assurance that the OAG's system of quality control is consistent with the requirements of applicable quality control and ethical standards issued by itself, the Auditing and Assurance Standards Board, the Accounting Professional & Ethics Standards Board, and relevant legal or regulatory requirements. This is achieved through a review program that results in calibrated and contextualised advice that is provided to the Auditor General and Executive Management Group.

Quality review

We have a Quality Control Monitoring Framework that is supported by an annual quality assurance plan. Each year the AQMC engages external reviewers to complete cold, in-flight, thematic and peer reviews. These reviews are a key part of our assurance program. The outcomes of quality reviews allow us to identify ways to continually improve our approach to auditing and the quality of our products.

Root cause analysis

The AQMC acknowledges that if any significant or repeat findings arise from quality reviews, there is a need to undertake root cause analysis. The Technical and Audit Support business unit has been asked to enhance our skills to consider quality review findings and implement improvements.

Complaints and matters of non-compliance

The AQMC reviews the receipt and resolution of all referrals and complaints about audit work. Where relevant, opportunities for improvement are identified and actions created to address them. Recommendations from this review process shapes our training and development program, enhancing the quality of our work.

Report from the AQMC Chair

The AQMC has had a busy year. Commencing in December 2021, the AQMC engaged an independent, external reviewer to conduct a peer review against sections 1 and 2 of the Australasian Council of Auditors General Governance and Audit Framework. The AQMC was very pleased that the reviewer concluded the OAG's governance arrangements are very suitable for an office of its size and that its audit practice management arrangements are of a high standard.

Quality assurance activities for the year were determined based on an overarching thematic focus on audits that had experienced a change in key personnel during the conduct of the audit. Cold reviews were conducted on financial audit, performance audit and information systems audit files. Findings and recommendations from these reviews will be considered and, where validated, implemented in 2022-23 to support audit teams to enhance quality and demonstrate excellence.

Other activities undertaken by the AQMC during 2021-22 included:

- acquittal of the 2021 Quality Assurance Plan
- consideration of complaints and referrals, identifying opportunities for improvement
- consideration of audit quality related emerging issues and topics arising locally, nationally, and globally, identifying actions and opportunities for improvement
- review and feedback on the information systems and forensic audit methodologies
- monitoring of recommendations arising from a forensic data analytics review
- consideration of audit season and program reporting to identify trends for analysis.

The AQMC continues to ensure the effectiveness of our approach to audit quality and I thank the members for their collegial and constructive approach to their responsibilities to the committee.

Sandra Labuschagne

Chair, Audit Quality Monitoring Committee



Internal audit plan

Six internal audits, conducted by an external firm, were completed this year. The audits focused on project management, financial controls, cost allocation and information governance, and identified 60 recommendations, most of which have been closed. The 2022 Internal Audit Plan includes procurement, fraud and corruption control, transition of our financial management information system, stocktakes and organisational change management. These topics were selected to provide assurance around existing controls to address our strategic risks.



Self-assessment against our audit reports

Many of the audits we conduct also have relevance to us, especially our focus area audits, as they concentrate on common business practices across the public sector. Our information systems audits also give us the opportunity to assess our internal information systems management.

Our intention is always to use these audits as a form of self-assessment of our own internal processes and controls. This enables us to identify and address any improvement opportunities coming out of the reviews.

In 2021-22, we conducted a self-assessment on cyber security controls that identified five areas with opportunities for improvement. Work was already underway to enhance or apply new controls and will continue into next year. A self-assessment related to staff exit controls is ongoing.



Independent reviews

Our AQMC develop an annual quality assurance plan.

We have closed out the majority of the 21 recommendations identified from the 2021 quality reviews. Outstanding recommendations are being considered or implemented by the relevant Assistant Auditor General.

In 2022, the AQMC selected two information systems performance audits, two performance audits and eight financial audits for cold (post-finalisation) review. The reviews will be finalised in August 2022. AQMC monitors the implementation of the recommendations from all independent reviews to ensure the relevant business units take appropriate action to address any significant matters that are identified.

In late 2021, we engaged Mike Blake AM, former Tasmanian Auditor-General, to conduct a peer review of our office governance and audit practice management processes. The findings were very pleasing, with Mr Blake assigning the same or higher ratings than we self-assessed, across most of the practice management (audit quality) components. We have reviewed the recommendations for continuous improvement and have considered our implementation approach and timing.



Working with Parliament

Unlike other State government entities, we do not report to or through a government minister but report directly to Parliament. As our key client, we strive to keep Parliament informed on public sector accountability and performance. We have developed a number of initiatives to promote quality relationships with Parliament and its committees.

Parliamentary liaison program

Our parliamentary liaison program ensures that we provide Parliament with relevant and timely information, in keeping with our obligations under the *Auditor General Act 2006*. This benefits Parliament (and through it, the community) and us, and supports our mission to help improve public sector performance and accountability by reporting independently to Parliament.

This program includes:

- briefing ministers and parliamentarians on our tabled reports
- briefing our parliamentary oversight committees on our proposed forward audit program, current audits and key operational matters
- briefing new ministers, members of Parliament and parliamentary committees on the role of the Auditor General and the ways in which they can use our reports to inform their work within the Parliament and their local community
- providing submissions to parliamentary inquiries and appearing before committees to give evidence on matters relevant to our remit.

Parliamentary inquiries and interactions

We have had a limited amount of direct interaction with our oversight committees over the past year, with both the Standing Committee on Estimates and Financial Operations (EFOC) and Public Accounts Committee (PAC) conducting some significant inquiry and financial scrutiny work. However, there has still been some notable reporting activity highlighting both committees' engagement with our work.

In its 86th report, EFOC summarised the work it did scrutinising a selection of 2020-21 annual reports of State government entities. As part of its inquiry on this matter, EFOC called the Auditor General and members of the Executive Management Group to a public hearing. We were one of five entities selected to appear. Matters discussed included work from our financial audit team on overdrawn special purpose accounts and our processes for following up ministerial notices for non-provision of information to Parliament. EFOC asked about the purpose and process behind our management letters to entities and sought the Auditor General's views on emerging or ongoing issues of concern across the sector.

PAC tabled two reports relating to our ongoing working relationship in promoting sound public administration. The first report informed Parliament of the updated Statement of Understanding between PAC and the Auditor General that was signed on 20 October 2021. This was the first update of this document since it was first signed in 1996. It outlines how PAC and the Auditor General will cooperate as independent bodies to achieve their common mission to enhance public sector accountability and performance.



Figure 10: Auditor General Caroline Spencer and PAC Chair Lisa O'Malley MLA signing the Statement of Understanding

In its second report, which reflects key initiatives outlined in the Statement of Understanding, PAC summarised its consideration of 16 OAG reports tabled between August 2018 and June 2021. This is an important accountability mechanism that ensures entities give due regard to the recommendations in our reports.

We acknowledge and very much value the work that both PAC and EFOC do in engaging with our reports as part of their examination of entities. It is a core component of the Westminster system of governance and we remain committed to assisting these committees with their vital roles.

In terms of interactions with other committees, we prepared a comprehensive summary of our 2022-23 Budget submission and an update on our operations for the Joint Standing Committee on Audit. The Joint Committee, which comprises all members of both EFOC and PAC, is tasked with considering our budget and may make recommendations to the Treasurer around it. The Joint Committee is also required to carry out a five-yearly review of the *Auditor General Act 2006* and a performance review of the Auditor General and the OAG. The performance reviews are particularly important accountability and continuous improvement mechanisms for the Auditor General and the OAG, and we look forward to assisting the Joint Committee with its work in this area as it falls due.

Other parliamentary interactions throughout the year included an appearance before the Joint Standing Committee on the Corruption and Crime Commission who were interested to learn more about our Forensic Audit function following the release of our first report on its establishment phase (page 73). The Deputy Auditor General and Assistant Auditor General Forensic Audit accompanied the Auditor General to this hearing.

The Auditor General was also very pleased to deliver a presentation to new members of Parliament in August 2021 outlining her role, how the OAG supports this function, and how we inform the Parliament and community through our work. There was an encouraging attendance and level of interaction, and it has been pleasing to see many of those who attended now coming along to our member briefings on the days we table reports. We are currently considering the merit of offering another mid-term briefing for first term members who have now had more time to engage with our work.

Members of Parliament survey

We conduct a survey of parliamentarians on a biennial basis. We launched our survey on 9 June 2022 and will report the results next year. Prior to launching we undertook an extensive review of the process and questionnaire with the aim to improve our response rate, which has been steadily declining. Recognising the demands on members' time, we have significantly shortened the questionnaire and focused questions to identify the types of reports and topics of most interest to them. We are hopeful this approach will lead to higher levels of participation in the survey, as the views of members are critical to informing our work and processes.



Working with our peers

Australasian Council of Auditors-General

The Australasian Council of Auditors-General (ACAG) was established in 1993. The association allows Auditors General to share information and business intelligence, and supports the development of effective and efficient auditing methods and practices.

ACAG also enables Auditors General to provide a collective public sector perspective on auditing, assurance and accounting standards, and exposure drafts issued by the Auditing and Assurance Standards Board, the Australian Accounting Standards Board and their international equivalents.

We also participate in ACAG's subgroups, which provide mutual benefits and learning opportunities between audit offices.



Australasian Council of Auditors-General macro benchmarking survey

We have participated in the ACAG macro benchmarking exercise each year since 1994. This allows us to compare our operations with other Australian audit offices on a variety of quantitative and qualitative measures, and with our own performance over time.

When measuring our performance audit timelines and costs against other ACAG offices, our average performance audit is two months shorter and costs \$40,000 less than the state and territory average. Our limited scope reviews of various COVID-19 response measures (from page 70) have helped bring the average down this year.

Average time to undertake a performance audit	2019-20 (months)	2020-21 (months)	2021-22 (months)
OAG	11.5	10.2	8.7
Average of states and territories	11.1	12.1	10.7

Table 10: Average time to undertake a performance audit benchmarking result

Average cost of performance audits	2019-20 (\$'000)	2020-21 (\$'000)	2021-22 (\$'000)
OAG	352	328	351
Average of states and territories	394	366	390

Table 11: Average cost of performance audits benchmarking result

All states and territories conduct annual financial audits of local government entities, but they also offer different additional assurance services which makes it difficult to compare the average cost per local government audit opinion.

Cost per local government financial audit opinion

	2019-20	2020-21	2021-22
OAG	\$50,445	\$58,078	\$68,132
Average of states and territories	\$58,193	\$56,281	\$62,003

Table 12: Cost per local government financial audit opinion benchmarking result

As with the local government sector, each state and territory audit office can provide a different number, or even type, of opinion. In 2020-21, the OAG provided certifications, controls opinions and performance indicator opinions for the State sector as well as the financial audit opinion, the most overall of any ACAG office.

Cost per state government financial audit opinion

	2019-20	2020-21	2021-22
OAG	\$51,126	\$77,873	\$84,617
Average of states and territories	\$58,338	\$84,053	\$86,003

Table 13: Cost per state government financial audit opinion benchmarking result

This benchmarking allows us to compare productivity, cost and resourcing and ensure we are broadly aligning with our peers in delivering our mandate. It assists us with identifying where changes may be needed and where efficiency improvements can be sought.



Working with our stakeholders

We engage with a wide range of stakeholders and professionals to ensure we remain relevant in our skills, receive feedback and share our insights to build our capability and that of the entities and sectors we audit.

Public Sector Audit Committee Chair Forum

This year we held two Public Sector Audit Committee Chair Forums. The forums provide us with the opportunity to engage with chairs from across the sector who play a fundamental role in assisting directors general, councils and boards to fulfil their governance and oversight responsibilities.

In October 2021, Margaret Pyrchla, Chair of the Health Support Services audit committee, provided insight into the role and effectiveness of audit committees drawing from her experience on boards across the private, public and not for profit sectors and shared real life examples of how committees dealt with problems or issues they faced.

In March 2022, Rob McDonald presented his observations as a specialist independent chair of audit and risk committees, and Dan Volaric, Executive Director, Integrity and Risk at the Public Sector Commission discussed a series of resources available to help entities develop, or evaluate and strengthen, their own integrity frameworks.

Both forums were well attended, in person and online, with engaged attendees who were keen to see forums continue into the future. We intend to continue holding them twice a year, as audit committees develop across the sector. We firmly believe an appropriately established and effective audit committee is vital and cost-effective to help entities fulfil their corporate governance and oversight responsibilities. In August and September 2021, we surveyed the audit committee chairs of public sector entities. As an independent



Figure 11: Margaret Pyrchla, Grant Robinson and Rob McDonald presenting at the Public Sector Audit Committee Chair Forums



stakeholder to our audits, their feedback on our opinions and reports is highly valued. This year impressions were generally positive, although their responses have seen declines in some key areas. The value the OAG adds in terms of helping public sector organisations to improve their performance declined from 88% in 2019 to 75% in 2021. This metric is key to ensuring we deliver results that improve public sector financial management, performance and accountability.

The timeliness of our audit and opinion delivery also had a significant decline from 95% down to 76%. Our aim to deliver audits on time will require concerted effort, especially with the significant resource constraints currently being experienced. We will work to ensure better results when we next survey the audit committee chairs in 2023.

Fraud Resilience Forum

This year we held two Fraud Resilience Forums, a new event to bring together State government entities who are proactive in fraud and corruption prevention and detection. The forums provide an opportunity to share insights and knowledge to further enhance and build capability among anti-fraud professionals in the State sector.

Our first forum had fantastic attendance with a panel discussion focused on where to start when implementing fraud data analytics. We thank James Lynch, Head of Internal Audit at Synergy; Andrew Phillips, Commercial Manager, Risk, Insurance and Legal at Main Roads WA; and our forensic fraud data analytics leader Anjana Gururaj for sharing their insights.

As a precursor to our *Fraud Risk Management – Better Practice Guide* (page 76), our second forum focused on how to conduct and apply a fraud risk assessment to improve prevention and detection of fraud and corruption. We thank Steve Pyle, Manager Business Integrity at Woodside; Christopher McDermott, Director of Capability and Development at the Commonwealth Fraud Prevention Centre; and Emile Rensburg, Manager Enterprise Risk and Chief Risk Officer at Edith Cowan University for their insights on this important topic.

We plan to facilitate a couple of forums each year to support knowledge sharing and networking opportunities for WA State sector anti-fraud and integrity leaders. We invite other public sector entities to engage with us on topics, hosting and presenting opportunities.



Figure 12: Andrew Phillips, James Lynch, Anjana Gururaj and Shaun Milligan at the Fraud Resilience Forum

Department of Local Government, Sport and Cultural Industries

We have regularly engaged with the Department of Local Government, Sport and Cultural Industries (DLGSC) as local government entities transitioned to the OAG as their auditor. This engagement has assisted with our understanding of the sector and informs them about our processes.

We have a dedicated Financial Audit senior director as a local government liaison with DLGSC and sectoral bodies, and have another director on secondment to DLGSC to help build their capability to progress reforms including the financial management support for local government entities.

During the year we liaised with the DLGSC on:

- financial reporting requirements
- training needs for the sector
- our financial and performance audit program
- inter-agency presentations to the sector.

Local government bodies

We continue to liaise with sector bodies, the WA Local Government Association and Local Government Financial Professionals Australia WA. As part of this liaison, we have attended and presented at many conferences and zone meetings, and are observer members on a number of financial reporting working groups they lead.

To assist with improving our understanding of the sector and building our capability, both bodies have been invited to present to our employees and contractors on sector wide matters.

Building capability in the sector



Changes to local government financial reporting

For a number of years we have advocated for simplified disclosure reporting for local government entities. This includes adopting Australian reduced reporting principles, updating the long-standing legislative requirements for entities to report seven financial ratios and for the auditor's report to identify any adverse trends. We welcome the amended financial management and audit regulations issued on 17 June 2022.

Key changes to be applied from the 2021-22 financial year include:

- removal of the requirement for local government entities to report financial ratios in their audited financial statements (noting the components of financial ratios within the financial statements continue to be audited)
- the audit report no longer has to report on significant adverse trends and matters of non-compliance.

Transitional provisions will apply to the 30 June 2021 financial reports yet to be finalised.



Department of Treasury

We regularly engage with the Department of Treasury to discuss financial reporting issues of common interest and those that align closely with our priorities. During the year we liaised with Treasury on proposed publications such as Treasurer's Instructions, accounting policy guidelines and model annual reports, and presented during its chief finance officer online forum.

We also discussed with Treasury initiatives undertaken by other entities that affect the public sector as a whole, including drafts of proposed new accounting standards issued by the Australian Accounting Standards Board and the annual valuation of WA public sector land and buildings by Valuation Services (Landgate).



State Records Commission

Under section 58(b) of the *State Records Act 2000*, the Auditor General is an ex-officio member of the State Records Commission.

Public sector entities use public funds to provide services, deliver programs and manage assets. Good records support effective decision-making and business practice, improve accountability and efficiency, and reduce an entity's vulnerability to the risk of fraud.

A common theme identified across many of our audits is poor recordkeeping practices. Through our audit work with entities, we continue to support the proper safeguarding, retention and integrity of official records, and highlight and encourage continuous improvement in this critically important aspect of public administration.

Building capability in the sector

Reports highlight poor records management

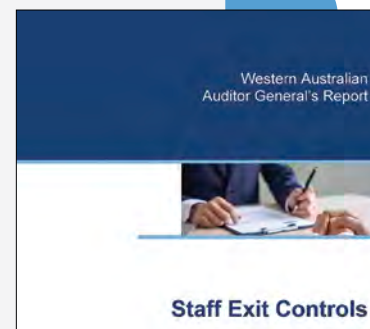
In August 2021, we tabled a report on *Staff Exit Controls* at three entities. Many of our findings were the result of entities having incomplete records and as such, not being able to provide sufficient audit evidence.

For example, the report states:

- the entities lacked adequate information to show that access passes had been returned or deactivated
- there was insufficient information to determine when access to IT systems was cancelled
- none of the audited entities had a complete and easily accessible record of all assets provided to staff.

Similarly, our *Forensic Audit – Construction Training Fund* report, tabled in June 2022, found the entity had not complied with the *State Records Act 2000* and its inadequate recordkeeping impacted our ability to make informed decisions on the accuracy and legitimacy of its payments.

Both reports include recommendations for entities to improve their recordkeeping practices.



Australian Accounting Standards Board

The Auditor General is a non-remunerated member of the Australian Accounting Standards Board (AASB). The AASB is an independent accounting standard-setter that is committed to developing, in the public interest, high-quality, understandable accounting standards that require transparent and comparable information in general purpose financial statements.

The role allows the Auditor General to provide a balanced public sector perspective for the AASB's deliberations, contributing to the development of practical accounting standards that will in turn further enhance WA public sector reporting and accountability.

Demonstrating excellence



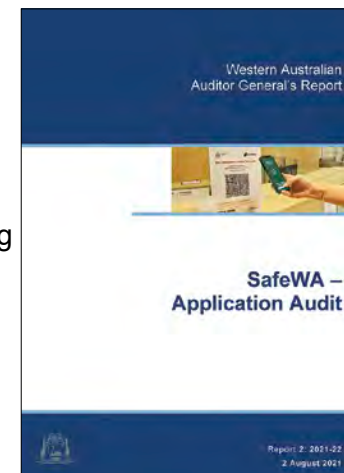
Awards

We won the 2022 ACAG Performance Audit Communication Award for our *SafeWA – Application Audit* report (page 70). The report was recognised as it demonstrated the importance of communicating audit findings with the entity throughout the audit so the findings can be addressed promptly. Notably, legislation was urgently passed during the audit to ensure that data collected via SafeWA could only be used for contact tracing purposes. We believe this legislation arose from an uptake of our early audit findings. The report was also recognised for its use of graphics to relay key messages to Parliament. Finally, ACAG were pleased to see the delivery of such an impactful report at a low cost, representing good value for money.

This is our fourth ACAG award in the last three years and once again acknowledges the excellent work we produce – punching well above our weight in terms of awards per number of reports to Parliament.

Our *Annual Report 2020-2021* achieved a Gold Award in the 2022 ARA Awards as it demonstrated overall excellence in annual reporting, provided high quality coverage of most aspects of the ARA criteria and included full disclosure of key aspects of our core business.

The report also won the Silver Award in category 2 (agencies with 101-1,000 FTE) at the W.S. Lonnie Awards. The judges said “the report is very comprehensive and polished. The year in review is an excellent start to the report. It is easy to read and very informative for the reader – the highlights table linked to government policy was appreciated. Also provides a sound discussion as to shortfalls in some key performance indicator areas, and how these will be addressed in future.”





Delivering results



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Delivering results

What is our objective?

- deliver credible, independent assurance reporting and advice, that helps improve public sector performance and accountability

How will we do it better?

- maintain a pragmatic and independent mindset that takes advantage of our multi-jurisdictional context
- maintain compliant audit methodologies that enhance audit impact and integrity
- maintain and enhance audit methodologies to comply with new standards
- safeguard and promote OAG's independence, credibility and impartiality
- share knowledge and expertise within the OAG, across the public sector and the audit profession
- target audit activity to statutory obligations and key public sector exposures

What we do

- undertake timely high-quality, fair and balanced and transparent audits that are compliant with professional standards and deliver value for taxpayers

What does success look like?

- improved public sector financial management, performance and accountability
- improved awareness of what good governance looks like
- productive relationships with external stakeholders



Financial auditing

Our financial audits provide independent assurance to Parliament, ministers and local government councils that the annual financial reports of State and local government entities:

- are based on proper accounts
- present fairly the operating results and cash flows for the period under review and the financial position at the end of the reporting period
- are presented in accordance with Australian Accounting Standards, relevant legislation/regulations, instructions and other mandatory professional reporting requirements and disclosure requirements.

Our financial audits do not guarantee that every amount and disclosure in the financial statements or key performance indicators (KPIs) are error free. Nor do they examine all evidence and every transaction. Our audit procedures are designed to identify errors or omissions significant enough to adversely affect the decisions of those who use financial statements and KPIs.

We examine, on a sample basis, evidence supporting the amounts and disclosures in the annual financial report. We assess the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management.

For the majority of **State government entities**, most of which operate under the *Financial Management Act 2006*, the Auditor General issues:

- an opinion on the financial statements of the entity
- an opinion regarding the financial management-related controls in the entity (sufficiently adequate for the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities in accordance with legislative provisions)
- an opinion on the KPIs of the entity and whether they are fairly presented, relevant and appropriate.

We aim to deliver audit opinions within 90 days of financial year end which is when most State government entities are required to table their annual report. This year it took us an average of 74 days to issue our financial audit opinions and 86% were issued within 90 days of financial year end.

Some audits could not be completed on time due to quality issues in the submitted financial statements (including complex accounting matters not fully resolved) and entities having a number of significant audit findings which required additional work. In addition, the impact of rescheduling to accommodate an earlier than usual tabling deadline in an election year and OAG or entity resourcing constraints affected the timely delivery of opinions.

	2017-18	2018-19	2019-20	2020-21	2021-22
%	97.9	98.4	97.5	92	86

Table 14: Percentage of audit opinions issued to State government entities within 90 days of financial year end





Building capability in the sector



Record number of qualifications

Of great concern from our 2020-21 audits was the number of entities with serious deficiencies requiring a qualified opinion on financial statements, controls or KPIs. Seventeen State government entities received qualified audit opinions on 31 separate matters, an increase from seven entities and 11 matters the year before. This is the most audit qualifications we have ever issued, noting that most qualifications related to controls rather than reported information in financial statements or KPIs.

This is a very concerning and significant upward trend in audit qualifications particularly in controls around expenditure, payroll and information systems, most likely reflecting a public sector that is resource constrained in some areas, and COVID-19 fatigued and diverted.

The 2020-21 audits also identified 427 financial management and 403 information system control weaknesses. Of concern is the increasing number of issues that are unresolved from the previous year: 28% of the financial management and 49% of the information system weaknesses, again indicating a diverted sector.



For local government entities, the Auditor General issues an auditor's report on the annual financial report and any other matters required by the local government audit regulations including material matters indicating non-compliance or significant adverse trends in the financial position of the local government.

Under the *Local Government Act 1995*, we are required to prepare a report by 31 December and local government entities are required to publish their annual report, which contains the auditor's report, on their website within 14 days of their council accepting the annual report.

In 2021-22, we issued 142 auditor's reports by 30 June 2022: 132 for the 2020-21 financial year and 10 outstanding from the 2019-20 financial year. Eighty-six of the 132 opinions, or 65%, were issued before the required date of 31 December 2021.

The delay in audit completion was largely due to increasingly complex reporting and audit issues contributing to longer audits across the entire public sector. Our inability to finalise audits sooner was also affected by the quality of financial records and availability of staff in a number of local government entities and carryover work of some significant findings in the State government sector audits. Resourcing constraints for us and our contract audit firms regrettably also impacted timelines.

This year we delivered 313 financial audit products for State and local government entities.

Audit opinions issued	2017-18	2018-19	2019-20	2020-21	2021-22
Annual Report on State Finances	1	1	1	1	1
State government entities					
Parliamentary departments	3	3	3	3	3
Government departments	46	31 [#]	29	29	29
Statutory authorities	84	84	82	84	87
Universities and State training providers	9	9	9	9	9
Superannuation funds	2	2	2	2	2
Corporatised entities	13	13	12	14	12
Cemetery boards	4	4	4	2	5
Subsidiary entities	17	20	18	18	20
Request audits	4	5	4	4	3
Local government entities	-	45	111	123	142
Total	183	217	275	289	313

[#] Numbers reduced due to amalgamations from public sector reform.

Certifications issued	2017-18	2018-19	2019-20	2020-21	2021-22
State government entities – statutory and other	32	30	29	21	31
State government entities – Royalties for Regions	201	166	117	99	81
Local government entities	na	5	17	132	280
Total	233	201	163	252	392

Table 15: Financial audit products delivered from 2017-18 to 2021-22



Working with audit firms

For the 2021-22 financial year, we outsourced 38% of our financial audit work for State government entities and 86% for local government entities. The Auditor General, or a delegate, signs the audit opinion and is accountable for the work of our contract audit firm partners.

Auditors General outsourcing audits is common practice across jurisdictions and our contract management processes ensure that outsourced audits are efficient, cost-effective and meet our audit quality standards. Auditor quality, value and rotation are maintained through our ongoing firm pre-qualification, tendering, file review and quality oversight arrangements.

Strengthening our capability



New auditing standards

This year we have started a project to ensure we comply with the new auditing standards relating to audit quality management and engagement quality review processes by 15 December 2022. The project, being led by our Technical and Audit Support team, will ensure we are aware of the requirements of the new standards and have had the required training. Our strategy, decisions, goals and resource management will all be assessed to ensure alignment with the commitment to quality required by the new quality management standards.

Changes to ASA 560 *Subsequent Events* and ASA 315 *Identifying and Assessing the Risks of Material Misstatement* will be addressed as part of our strategic project to enhance our current audit financial audit methodologies and procure a new audit tool (page 88).



Surveys of financial audit entities

We offer all audited entities the opportunity to provide feedback on how our employees and contracted audit firms performed during the delivery of their financial audit. Conducted by an independent research company, we use the survey results to identify areas where we can improve our service delivery.

State government entities

The State government entity surveys are completed over two rounds. For entities with a year-end reporting date of 30 June 2021, 52% of entities provided a response. For entities with a year-end reporting date of 31 December 2021, all 10 entities provided a response. Overall, 56% of entities responded, which is significantly fewer than 77% last year. We are seeing decreased response rates to all surveys this year and will make a concerted effort to improve in 2022-23. Read about our new survey initiatives on page 91.

Feedback provided has indicated we should work on auditor communication and responsiveness. We will look at ways to streamline some communications, to ensure we are adding value in interactions and tailoring information for each entity where we can.

We acknowledge that some audits were not issued in a timely manner, as a result of resourcing constraints, quality issues in the submitted financial statements and entities having a significant number of audit findings which required additional work and resulted in a record number of qualifications (page 59).

Statement	% Agree					
	2017-18	2018-19	2019-20	2020-21	2021-22	
The auditors conducted themselves professionally during the audit	97	96	97	98	97	—
The auditors were responsive to our needs	89	90	91	82	78	↓
The OAG's management letters communicated the audit findings and issues clearly	93	90	96	89	90	—
The Auditor General's audit opinion was issued in a timely manner	94	96	94	87	77	↓
We value the assurance we obtain from the audit of our statutory financial statements	99	98	95	94	94	—
We value the OAG's recommendations to improve the financial management and internal controls of our organisation	96	98	93	89	90	—

Table 16: Selected State government entity financial audit survey results

Local government entities

We surveyed 128 local government CEOs and had a response rate of 68%. Generally, entities rated our professionalism and clarity of our management letters highly. The feedback indicated we need to work on completing our audits in a timely manner, increase involvement of senior staff and maintain strong communication skills. It is pleasing to see an increase in positive responses regarding audit value.

Increasingly complex reporting and audit issues have contributed to longer audits across the entire public sector, including some significant findings in our State government sector audits which led to delays to the start of some local government audits. We are aware of the flow-on consequences of not meeting the deadline and our audit teams have been working closely with the local government sector to discuss ways to improve our respective processes to ensure timely delivery of future audits.

Statement	% Agree			
	2019-20	2020-21	2021-22	
The auditors conducted themselves professionally during the audit	98	98	97	—
Audit staff were responsive to our needs	82	80	71	↓
The management letters clearly communicated the audit findings and issues	94	95	94	—
The Auditor General's audit opinion was issued in a timely manner	81	71	68	↓
We value the assurance we obtain from the audit of our statutory financial report	96	87	91	↑
We value the OAG's recommendations to improve the financial management and internal controls of our organisation	89	84	85	—

Table 17: Selected local government entity financial audit survey results

Information systems auditing

Our information systems audits focus on the IT environments of public sector entities. Information systems underpin most aspects of government operations and service delivery.

Each year we audit the general computer controls of a sample of entities to determine if they effectively support the confidentiality, integrity and availability of their information systems and financial reporting. This includes controls over the IT environment, computer operations, access to programs and data, cyber security, program development and program changes. Findings from these audits inform capability assessments of entities. These audits support our financial audit and controls opinions.

Our information systems audit work is a very important part of our audit program as it reveals common weaknesses that can seriously affect the operations of government and potentially compromise sensitive information held by entities. Our reports contain recommendations that address these common weaknesses and as such, have a use broader than just the entities we specifically audited.

Building capability in the sector



Cyber security risks

Global trends show more organisations are experiencing information and cyber security attacks. Public sector entities are not immune to these attacks as they deliver key essential services and hold valuable public data that is attractive to cyber criminals. As internal and external threats continue to evolve it is important that entities understand and mitigate their cyber security risks, and constantly improve the key controls that protect their information systems and IT environments from information and cyber security threats.

Entities are encouraged to take note of the recommendations in our information system audit reports as they work to improve their general computer controls, ensuring information and cyber security remains a heightened area of focus. This is an area that without constant effort, entities will go backwards in their security environment, exposing their systems, their operations and data to harm. We also developed better practice guidance to help entities manage and address their cyber risks.



Forensic auditing

Our Forensic Audit business unit examines entities for fraud and corruption vulnerabilities and engages with them to close identified risks. We are committed to sharing, where appropriate, the learnings and tools from these forensic audits to build resilience to wrongdoing across the public sector.

In December 2021, we tabled a report on the establishment phase of the business unit which includes findings from an external review we commissioned on our forensic function. The review:

- enabled a refinement of our purpose and enhanced our focus on the structures, processes and skills required over time to deliver on that purpose
- highlighted risks to manage including expectation gaps about what we do and educating stakeholders about how this unique function fits in the public sector integrity framework
- identified several recommendations in terms of our resources, activities and processes including:
 - building our forensic team through specialist training
 - consolidating relationships with other entities for intelligence sharing
 - embedding an intelligence-led framework to identify and target high risk entities and select high fraud risk activities.

Targeting our forensic audits requires our selection of entities and activity to be intelligence led. We are building this capability with experienced intelligence officers applying contemporary methods and tools (page 89). Our first forensic audit using these methods was into the Construction Training Fund (page 76). We also continue to liaise with State government entities to profile fraud and corruption risks within entities and their activities.



Building capability in the sector



Fraud and corruption risk

This year we released a better practice guide to help entities manage their fraud and corruption risks. It outlines why fraud and corruption risk management is important and provides practical guidance on the process of developing a fraud and corruption risk management program. A range of tools are included and available on our website that will be updated as required.

Performance auditing

Our performance audits assess the efficiency and effectiveness of public sector activities, services and programs. These audits can also identify instances of waste, legislative non-compliance and examples of good practice, and make practical recommendations for improvement in entities.

We also undertake smaller performance audits called focus area audits. We conduct these as an extension of our annual financial audits, using more detailed testing or examination than is required for forming our financial audit opinions. Our aim is to assess how well entities perform common business practices and related controls. The findings provide an insight into good practice, so all public sector entities can consider their own performance.

On occasions, we conduct follow-up performance audits to examine an entity's progress in implementing our recommendations from a previous report. These audits provide Parliament with an assessment of changes that have occurred because of the initial audit.

In our performance audits we require entities to explicitly accept or disagree with our recommendations and timeframe for implementation. This increases transparency and accountability for Parliament as it is not good enough to simply accept the findings, it is vital that timely action is taken to address shortcomings in public administration.

Responsibility for following up our audit recommendations lies with each entity's accountable authority, management and audit committee. Parliament's Public Accounts Committee also has a key role in following up entity action on our reports (page 46).

Summaries of our reports tabled in 2021-22 are included from page 70.

Building capability in the sector



Focus on the State's COVID-19 response

This year we continued our focus on the State's COVID-19 planning, response and recovery measures. The pandemic has provided distractions from day-to-day tasks and extra work at a time when it is difficult to find additional staff exacerbated by border closures for most of the last two years. When entities take on additional functions or responsibilities over shortened timeframes, the focus on strong financial management and governance can inadvertently slip.

This is a concern as an effective control environment is essential for supporting long-term confidence and capability in our public institutions. There is also an increased risk that other critical areas of public administration and policy implementation may not receive the level of focus or priority they would usually warrant. Staff and management of all public sector entities must be watchful for gaps where normal financial and operational controls may cease to operate effectively, and to understand the costs of their decisions and actions on their core services as well as on other parts of our community.

As such, we audited and tabled reports in Parliament on the SafeWA app, financial hardship support offered by local government entities to people adversely impacted by COVID-19, the roll-out of State stimulus initiatives, the vaccination roll-out, selected findings and observations from the 2020-21 financial audit season which reflect just some of the COVID-19 response measure impacts on our sector and our community, and WA Health's contract tracing system.

Surveys of performance audit entities

After we table a performance audit report in Parliament, we invite audited entities to provide feedback on the report and the audit process including engagement with our employees. Conducted by an independent research company, we use the results to identify key drivers to improve our performance and identify areas where we may need additional effort or training.



Statement	% Agree					
	2017-18	2018-19	2019-20	2020-21	2021-22	
The auditors communicated with us effectively	85	76	88	84	82	↓
We were promptly informed of significant issues/findings as they arose during the audit	78	72	78	75	70	↓
The auditors adequately understood our organisation, including our operating environment	63	52	43	65	74	↑
The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit	74	72	81	81	84	↑
The auditors conducted themselves professionally during the audit	96	93	97	97	97	—
We were provided with adequate opportunities to comment on the audit findings and issues before the final report was tabled in Parliament	85	86	90	94	82	↓
The tabled audit report communicated the audit findings and issues clearly	70	66	87	86	77	↓
The tabled audit report was factually accurate	56	68	77	73	79	↑
The tabled audit report was balanced and fair	67	64	77	75	74	—
The audit will help us improve the performance of the audited activity	63	79	83	64	59	↓

Table 18: Selected performance audit survey results

Performance audit topic selection

Our performance audit program is an important part of the Auditor General's ability to provide timely assurance on important matters of public administration. The Auditor General's ability to determine what, when and how to audit, without direction, is a key part of their independence. However, in determining audits we prioritise early engagement with entities, other oversight entities, members of Parliament, parliamentary committees and other key stakeholders.

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

We assess and review potential topics against our criteria, priority themes (e.g. programs and processes related to the State's response to COVID-19), and report category KPIs. We have processes in place to make sure that the selection of topics is objective, robust, transparent and generally focuses on systemic issues where an audit may have notable impact on the efficiency or effectiveness of public sector service delivery. Individual grievances and cases do not generally result in a performance audit but may inform areas of focus.

Our topic pool contains many more options than we are resourced to deliver as audits. Consultation on the themes and draft program is useful in prioritising which audits will go ahead. We keep Parliament, the public sector and community informed through consultation with entities, members of Parliament and parliamentary committees, and through the audit program published on our website:

audit.wa.gov.au/audit-program.

Further detail on our topic selection process is available on our website.



Opinions on ministerial notifications

When a Minister decides not to provide certain information to Parliament concerning the conduct or operation of a State government entity (usually a decision taken in response to a parliamentary question), requirements under section 82 of the *Financial Management Act 2006* and section 24 of the *Auditor General Act 2006* come into force. Essentially, the Minister is required to notify the Auditor General of their decision not to provide information and the Auditor General is then required to form an opinion and report to Parliament on the reasonableness and appropriateness of the Minister's decision.

The number of ministerial notifications referred to the OAG vary and a notification may result in more than one opinion. This year we received three notifications and issued three opinions. We also had one instance where no opinion was required. Our total costs and hours decreased, due to receiving fewer notifications. Summaries of the ministerial notification reports we tabled in Parliament are available from page 70.

	Pre 2010-11 ¹	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Number of ministerial notifications received	49	2	2	0	4	13	10	23	27	27	14	4	3	178
Number of parliamentary questions included in notices received	60	2	3	0	7	14	10	50	27	27	14	4	3	221
Number of opinions tabled	61	2	3	0	5	11	11	55	19	20	12	12	3	214
reasonable	57	0	3	0	3	8	7	8	11	15	8	9	2	131
not reasonable	4	2	0	0	2	3	4	47	8	5	4	3	1	83
An opinion could not be/was not provided	0	0	0	0	0	0	3	1	3	4	4	3	1	19
Being assessed at June 2022													1	1
Total cost for opinions tabled (\$'000)	— ^a	89	18	0	47	136	232	528	393	484	365	487	71	2,850
Total hours for opinions tabled ²	— ^a	391	102	0	212	655	1,013	2,174	1,962	2,459	1,360	2,702	274	13,304

¹ The number of notifications received and reasonable opinions issued pre 2010-11 may exceed the actual by 10. The possible overlap has not been resolved because of limited records.

² Excludes Auditor General and Deputy Auditor General hours as they are tracked by broader assurance and non-assurance categories.

^a Historical information not available.

Note: Ministerial notifications have been reported in previous years as matters not notices, so some figures may differ to those previously reported.

Table 19: Ministerial notifications received by the OAG



Reports tabled in 2021-22

During 2021-22, we tabled 23 reports in Parliament. We aim to deliver timely, relevant and quality reports on public sector performance and accountability. These reports help us to achieve our vision and outcome of an informed Parliament and community and work that makes a difference and helps to improve the public sector.

On the following pages is a brief summary of the reports tabled this year which are available on our website at audit.wa.gov.au/reports.

Report 1



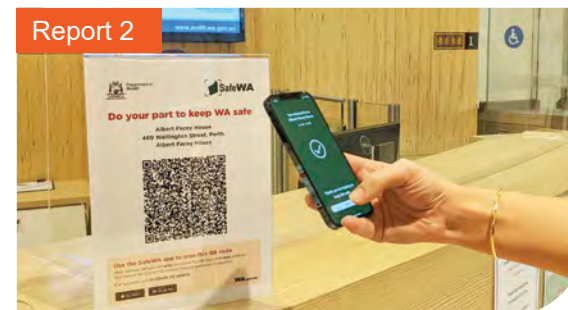
Opinion on Ministerial Notification – FPC Arbitration Outcome

KPI category: Governance

Tabled: 29 July 2021

The Auditor General found the decision by the Minister for Forestry not to provide Parliament with information about the outcome of arbitration between the Forest Products Commission and an individual sharefarmer in December 2020 was reasonable and therefore appropriate. The Minister properly sought advice from the Commission before responding to the request and the Commission recommended he decline to provide the information. The information requested was confidential under the *Commercial Arbitration Act 2012*.

Report 2



Safe WA – Application Audit

KPI category: Service delivery

Tabled: 2 August 2021

We found WA Health successfully delivered the SafeWA application under significant time pressure. However, in addition to finding that SafeWA data was being used for purposes other than COVID-19 public health contact tracing, we found weaknesses in SafeWA and the web application used by contact tracers. This included insufficient retention of access logs, a weak password policy and inconsistent use of multi-factor authentication.



Staff Exit Controls

KPI category: Governance

Tabled: 5 August 2021

We found to varying degrees, the Department of Planning, Lands and Heritage; Department of Finance; and Department of Local Government, Sport and Cultural Industries were not effectively or efficiently managing the exit of staff to minimise security, asset and financial risks. The report contains a number of recommendations for entities to minimise potential risks around the exit of staff and includes better practice guidance.



Public Building Maintenance

KPI category: Service delivery

Tabled: 24 August 2021

We found the Department of Finance was largely effective in managing building maintenance on behalf of other public sector entities, but it needs to measure the quality of maintenance services received and better demonstrate ongoing value for money from its contracts. We also found the Department and one of its lead contractors can improve how they manage conflicts of interest and gifts.



Local Government COVID-19 Financial Hardship Support

KPI category: Economic development

Tabled: 15 October 2021

We found 123 of 137 local government entities had a financial hardship policy in 2020-21 as encouraged by the Minister. We reviewed three entities and found they had policies and provided financial support at their own discretion to all ratepayers (not just those experiencing financial hardship). This included waiving interest and allowing additional time to pay rates. However, some entities did not communicate their policy or made it difficult to access support. The report includes recommendations for all local government entities including that they should balance application and assessment costs with the value of any support provided.



Roll-out of State COVID-19 Stimulus Initiatives: July 2020 –March 2021

KPI category: Governance

Tabled: 20 October 2021

We found 30 COVID-19 stimulus initiatives had been rolled out but 47% had not substantially used their allocated budget. The report contains a number of recommendations to assist entities with any future stimulus measures including balancing application requirements with risk-based compliance monitoring to ensure quick relief can be provided to eligible applicants, and improving planning and coordination when initiatives are competing with one another for resources.



Water Corporation: Management of Water Pipes – Follow-Up

KPI category: Service delivery

Tabled: 17 November 2021

We found the Water Corporation has improved its management of the water pipe network since our 2014 report *Water Corporation: Management of Water Pipes*. However, the volume of unbilled water, including losses from leaks and bursts, has risen across the network. In 2020-21, around 30 billion litres was lost in metropolitan Perth, enough water to give over a million Perth residents a seven-minute shower each day for a year. The report includes a recommendation to develop a plan to significantly reduce the levels of unbilled water.



WA's COVID-19 Vaccine Roll-out

KPI category: Service delivery

Tabled: 18 November 2021

We found the State's vaccine roll-out has been effective for many people and allowed the WA Department of Health to be confident of meeting its 80% vaccination target by the end of 2021. But there were some places and people, many of them at a higher risk to the health impacts of an outbreak, that have been missed by the roll-out so far. While this is partly due to vaccine hesitancy, inequitable access has also had an impact. The report recommended the Department put coordinated plans in place to prioritise vaccine access for clinically vulnerable groups to minimise the impact from COVID-19 outbreaks, and articulate plans for the conclusion of the emergency vaccination roll-out, incorporating lessons learned from the roll-out.

Report 9



Cyber Security in Local Government

KPI category: Governance

Tabled: 24 November 2021

We found the 15 local government entities audited did not have current and complete cyber security policies and processes to help manage cyber security risks and respond to cyber threats effectively. Only three entities detected and appropriately responded to our ethical simulated test cyber attacks. The report includes recommendations and better practice guidance that all government entities can use to manage their cyber risks.

Report 10



Audit Results Report – 2020-21 Financial Audits of State Government Entities

KPI category: Governance

Tabled: 24 November 2021

This report summarises the 2020-21 financial year audits of 147 State government entities. Seventeen entities received qualified audit opinions on 31 separate matters, an increase from seven entities and 11 matters the previous year. This is the most ever reported by this office. We also reported 427 financial management and 403 information system control weaknesses. All State government entity audit committees and management should consider the good practice and common issues presented in the report.

Report 11



Forensic Audit Report – Establishment Phase

KPI category: Governance

Tabled: 8 December 2021

This report outlines the objectives, functions and work of our newly established Forensic Audit business unit. The unit will conduct targeted, risk based, forensic audits of State government entities to identify vulnerabilities to, or indicators of, significant fraud. This is the unit's first annual report and as appropriate it will produce other public or confidential individual audit reports.



Viable Cycling in the Perth Area

KPI category: Service delivery

Tabled: 9 December 2021

We found State government entities have promoted cycling and safe road use, built paths and planned for the future, including for other forms of active transport, such as scooters and e-bikes. However, some recommendations from our 2015 audit *Safe and Viable Cycling in the Perth Metropolitan Area* are still not finished. The four audited local government entities all have plans to improve cycling conditions for their communities but some are building paths narrower than recommended by better practice guidance.



Information Systems Audit Report 2022 – State Government Entities

KPI category: Governance

Tabled: 31 March 2022

This is the Auditor General's 14th report on State government entities' general computer controls. It shows many entities are still not addressing our audit findings quickly, with nearly half of all findings previously reported. Information security remains a significant area of concern with only 50% of entities meeting our benchmark in this area. Entities are encouraged to take note of the recommendations in the report as they work to improve their general computer controls, ensuring information security remains a heightened area of focus.



Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities Part 2: COVID-19 Impacts

KPI category: Governance

Tabled: 9 May 2022

This report contains selected findings and observations from the 2020-21 financial audit season, which reflect just some of the achievements, challenges and impacts of the COVID-19 response on the State sector and our community. The pandemic has significantly affected staff in both public and private sectors, providing distractions from day-to-day tasks and extra work. When entities take on additional functions or responsibilities over shortened timeframes, the focus on strong financial management and governance can inadvertently slip.

Report 15



COVID-19 Contact Tracing System – Application Audit

KPI category: Service delivery

Tabled: 18 May 2022

This audit assessed WA Health's COVID-19 contact tracing application, the Public Health COVID-19 Unified System (PHOCUS). We found WA Health has provided limited information to the community about what personal information they collect, including from other government and non-government entities, to help with contact tracing. In addition, WA Health needs to improve its controls to effectively protect the confidentiality of the personal and medical information stored in PHOCUS. In any emerging crisis, government responses should consider impacts on trust and confidence in government and the importance of upholding the universal human right to information privacy.

Report 16



Staff Rostering in Corrective Services

KPI category: Service delivery

Tabled: 18 May 2022

This audit set out to examine if the Department of Justice was managing staff rostering to deliver services efficiently and safely in corrective services. We found a range of serious deficiencies in systems, processes, controls and culture that have led to a lack of effective oversight and accountability. Consequently, overtime costs are high, officers are being paid for hours they have not worked, absenteeism is a persistent problem and safety provisions in the industrial agreement are not being met.

Report 17



Transparency Report: Major Projects

KPI category: Economic development

Tabled: 17 June 2022

This audit provided information to Parliament and the public around the cost and time delivery of a selection of major projects. The vast majority (12 of the 14 active) of audited State Government major projects have had their delivery timeframes or costs increased. Combined, budget and time increases for existing projects even when approved, potentially work against those projects that are still in development and are yet to seek funding approval. Also, projects that have time delays have flow on effects for the community and businesses that try to plan around the projects. The report recommends the Department of Finance regularly reports to Parliament and the public on the status major projects.



Opinion on Ministerial Notification – FPC Sawmill Volumes

KPI category: Governance

Tabled: 20 June 2022

The Auditor General found the decision by the Minister for Forestry not to provide Parliament with information about the Forest Product Commission's 2022 sawmill supply volumes was reasonable and therefore appropriate. While the Minister provided Parliament with approximate annual intakes as listed in sawmill contracts, he withheld information on the detailed and specific supply volumes for each sawmill. We found the current 2022 supply volumes meet the requirements of being commercial-in-confidence. We wish to reiterate our advice from previous opinions that entities formalise assessment criteria that supports an efficient and consistent response to requests for information.



Forensic Audit – Construction Training Fund

KPI category: Governance

Tabled: 22 June 2022

This audit focused on identifying key risks to payment fraud in the finance and payroll systems of the Construction Training Fund. We found its disorganised financial management exposes the Fund to an alarming level of fraud vulnerability. The report includes recommendations regarding risk management and non-compliance with procurement and recordkeeping obligations.



Fraud Risk Management – Better Practice Guide

KPI category: Governance

Tabled: 22 June 2022

This guide aims to help WA public sector entities to better manage their fraud risks. Parts 1 and 2 are aimed at decision makers, highlighting the importance of a fraud and corruption risk management program and the current state of fraud control in the WA public sector. Part 3 is aimed at guiding those responsible for developing and implementing an entity's fraud risk management program. It includes a range of tools, which are available on our website, that entities can add to their fraud and corruption control resources. These will be updated as required. It is critical that all levels of the public sector commit to good governance to safeguard public assets from fraudulent or corrupt activity.



Delivering School Psychology Services

KPI category: Social and environment

Tabled: 23 June 2022

This audit assessed if the Department of Education is effectively managing school psychology services so that students get timely access to services that meet their needs. We found school psychologists are highly valued by schools and the school psychology service meets the needs of some students and schools. However, whether students' needs are met is more reliant on local and individual factors rather than a well-planned and appropriately resourced service. The report includes recommendations for the Department to better define, develop and monitor its school psychology services.



Information Systems Audit Report 2022 – Local Government Entities

KPI category: Governance

Tabled: 28 June 2022

This report summarises important findings and recommendations from our 2020-21 annual cycle of local government information systems audits. We found over 350 general computer control weaknesses across 45 entities. We also conducted capability maturity assessments at 12 entities and found information security continues to be a significant risk with none of the 12 meeting our benchmark in this category. These weaknesses represent a considerable risk to the confidentiality, integrity and availability of entities' information systems and need prompt resolution.



Opinion on Ministerial Notification – AWU Funding Agreement

KPI category: Governance

Tabled: 28 June 2022

The Auditor General found a decision by the Minister for Forestry not to provide Parliament with information about the terms upon which \$200,000 was awarded to the Australian Workers' Union was not reasonable and therefore not appropriate. The Minister said the funding agreement was commercial-in-confidence but we found it did not meet the criteria. Another opinion on the Minister's decision not to provide other information was not required because the requested information did not exist.

Website statistics

We use website statistics to provide an indication of the degree of interest in our reports and to inform our topic selection process.

Report	Total page views	PDF downloads
<i>Annual Report 2020-2021</i>	4,951	1,134
<i>Application Controls Audits 2021</i>	2,747	294
<i>Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities</i>	2,630	767
<i>Information and Communication Technology (ICT) in Education</i>	2,242	35
<i>Cyber Security in Local Government</i>	2,105	454
<i>Staff Exit Controls</i>	1,978	227
<i>Delivering Essential Services to Remote Aboriginal Communities – Follow-up</i>	1,881	236
<i>Information Systems Audit Report (2017)</i>	1,697	39
<i>Forensic Audit Report – Establishment Phase</i>	1,570	328
<i>Information Systems Audit Report 2021 – State Government Entities</i>	1,490	324
<i>SafeWA – Application Audit</i>	1,488	161

Table 20: Top reports accessed from the OAG website in 2021-22, not all were tabled in the 2021-22 financial year

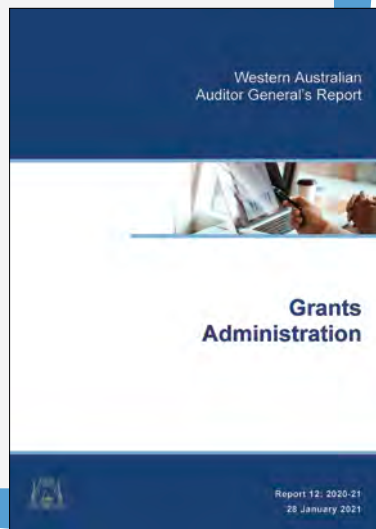


Building capability in the sector

Report successes

Our objective is to deliver credible, independent performance reporting and recommendations, that help improve public sector performance and accountability. In addition to strengthening Parliament's understanding and scrutiny of the public sector, our work can result in positive change to government activity and practice. For example, this year:

- The Treasurer wrote to the ministers responsible for the 17 entities that received qualified opinions requesting action be taken to rectify the deficiencies.
- In response to our *Grants Administration* report (January 2021), the Department of the Premier and Cabinet established the WA Grants Administration Guidelines, a whole-of-sector framework to help all public sector entities administer grants, especially those where the requirement to administer grants is not typically their core business.



Managing feedback and complaints

We receive information from many different sources that assists us to perform our functions. We treat this information confidentially, applying best practice processes, as recommended by the Western Australian Ombudsman. We manage all feedback, suggestions and concerns in a way that demonstrates our values of integrity, quality and service.

Our website includes information on how to contact us and provides the opportunity to submit a referral, provide feedback on current audits or suggest a future audit topic. Information received through these avenues may be examined under the *Auditor General Act 2006* and considered as part of our topic selection process (page 68).

Referrals

Referrals can be an early warning of issues relating to performance, probity and compliance within the public sector. We record all referrals received through our reception and website in our intelligence database, where we collate information from a wide variety of sources on issues across the public sector. This information is very useful to monitor trends across the public sector to identify areas of concern or entities that may require additional audit scrutiny.

Given the substantial number of public referrals we receive on a variety of topics, we tend to prioritise performance audit topic selection towards systemic issues rather than one-off issues affecting an individual. If the issue is outside our mandate, we endeavour to redirect the referral to those who can best assist.

Where matters cross jurisdictional boundaries, such as the work of the Corruption and Crime Commission or the Public Sector Commission, we have processes in place to communicate with other integrity bodies to highlight potential issues.

In 2021-22, we received 150 referrals that we took an average of 2.8 days to respond to, an improvement on 3.1 days in 2020-21. We responded to 89% of referrals within our five working day target, which was an improvement on 82% in 2020-21.

Source of referrals and/or enquiries

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Members of the public	79	101	86	147	153	132
Member of Parliament or parliamentary committees	9	11	7	3	5	3
WA State government entities	16	11	10	15	11	8
WA local government entities	na*	46	17	14	8	7
Total	104	169	120	179	177	150

* Referrals and enquiries from local government entities were included in the members of the public figure prior to 2017-18.

Table 21: Number of referrals and enquiries received 2016-17 to 2021-22

Public interest disclosures

The *Public Interest Disclosure Act 2003* establishes the Auditor General as the appropriate authority to receive public interest disclosures (PID) that relate to substantial unauthorised or irregular use of, or substantial mismanagement of, public resources.

In 2021-22, we spent 172 hours on PID matters. We assessed eight matters, of which none met the PID criteria.

The Auditor General appoints employees, including members of the Executive Management Group, as PID officers. Appropriate training, including through the Public Sector Commission, is provided for these employees so they can receive and manage PIDs effectively and maintain the confidentiality of disclosers (i.e. whistleblowers).

Complaints

We define a complaint as any expression of dissatisfaction made to the OAG about our people, practices, products or services, and have widened the net in recent years to capture and examine a broader range of communications so that we can examine and learn from them.

We accept that individuals may wish to raise a complaint with us about our services or operations, and that these may identify areas where we can improve or prevent potential issues. We ensure all complaints and responses are fully documented and assessed for potential ongoing (systemic) risk. To encourage continuous improvement and learning we report complaints to the Executive Management Group, and if any potential ongoing risk is determined the issue is referred to our Audit and Risk Management Committee.

As part of our quality monitoring framework, when a complaint relates to audit quality, it is referred to the Audit Quality Monitoring Committee. This committee may identify potential training needs or changes to internal processes to avoid similar quality issues recurring and to identify opportunities for improvements in future audits.

Individuals can lodge a complaint on our website or by email, mail or telephone. Our internal policies and procedures provide guidelines to ensure complaints are handled objectively, fairly and confidentially, and are managed in accordance with relevant legislation, guidelines and principles including the Public Sector Commission's *Code of Ethics* and the Ombudsman Western Australia's *Guidelines on Effective Complaint Handling*.

Table 22 shows that we have received 11 complaints this year, an increase on eight received in 2020-21. The majority related to local government audit processes, timeliness and fees. We value this input and are working with many entities through offers of post-audit debriefs to identify respective process improvements. A continuing area of focus and training for the OAG is how we communicate throughout the audit engagement.

In terms of timeliness, there are varied reasons for delays in completing financial audits. This year, in part, delays were due to increasingly complex reporting and audit issues that resulted in our audit teams having to spend additional time in State sector entities before moving on to the local government sector.

However, while undoubtedly improving, a significant number of local governments entities are still in the process of uplifting to a consistent standard of audit readiness in their financial reporting. The quality of financial records and availability of staff in a number of local government entities particularly affected our teams' ability to finalise a significant number of audits sooner.

We have fielded ongoing questions around the issue of audit fees during the four-year transition of all of WA's 148 local government entities to our financial audit cycle. Our fees are set purely to recoup the full cost of conducting our financial audits, and we have additional layers of liaison and reporting of our results to the Minister for Local Government, the Department of Local Government, Sport and Cultural Industries and the Parliament of WA. The fee is based on the staff hours used on the audit plus any directly related costs such as contracted audit firm

fees. Our audit fees are higher than most local government entities paid previously. This is primarily because we conduct a much broader financial audit than most local government entities received in the past, to ensure we meet the legislative requirements and expectations of the Parliament and community for our role in the local government sector.

Financial audits generally are becoming more complex, particularly given changes in accounting and auditing standards over recent years. Our audits give assurance on the financial statements and greater transparency about financial controls, probity and governance matters in individual entities and across the whole local government sector.

Conversely, with this increase in fees comes a number of benefits. We provide a better-quality financial audit that is enhanced from our oversight of the sector. We also conduct performance and information systems audits that the sector does not pay for, but receives a benefit by way of access to sector-wide recommendations and better practice guidance in selected areas of public administration.

Further, we advocate for the sector in certain areas, most recently as part of the Government’s program of reform around the *Local Government Act 1995*. We envisage that recently announced changes to the relevant local government regulations, for which we provided extensive feedback and support, will simplify the auditing and financial reporting burden of many entities. This should, in time and along with further education and support for the sector around sound financial management, lead to improved audit cost and timeliness outcomes. We expect this to address many of the issues that have generated the recent rise in complaints.

	2017-18	2018-19	2019-20	2020-21	2021-22
Number of complaints	1	1	4	8	11

Table 22: Number of complaints about the OAG received 2017-18 to 2021-22





Our employees
out and about



Adapting and innovating



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Adapting and innovating

What is our objective?

- ensure we have the skills, knowledge tools and mindset to meet our, and the Parliament's, current needs and to respond effectively to change

How will we do it better?

- implement modern, secure and resilient information systems infrastructure that is fit-for-purpose and future-ready
- deploy adaptive and user-friendly remote-enabled systems and processes
- enhance the user experience through technology deployment and training
- enhance collaboration opportunities through enabling technologies
- successfully implement and integrate new functionality and this is used with confidence and convenience

What we do

- successfully implement and integrate systems and approaches that can adapt to change

What does success look like?

- a workforce culture accustomed to change and identifying ways to do things better
- increased engagement from the information and communication technology team to innovate how we confidently use technology
- improved technology and process efficiencies through system optimisation



Information Governance Committee

The purpose of the Information Governance Committee (IGC) is to govern technology and information management, as a sub-committee of the Executive Management Group.

The IGC is comprised of senior leaders representing a cross-section of the business to provide independent governance of technology and information management related decision-making.

Members

- Jason Beeley, Chair, Assistant Auditor General Performance Audit
- Carl Huxtable, Assistant Auditor General Forensic Audit
- Michael Cooper, Executive Director Corporate Services
- Kamran Aslam, Senior Director Information Systems and Performance Audit
- Anjana Gururaj, Assistant Director Forensic Audit

Paul Millwood, Chief Information Officer, provided the secretariat function.

Sandra Labuschagne, Chair, Deputy Auditor General, Grant Robinson, Assistant Auditor General Financial Audit, Aloha Morrissey, Assistant Auditor General Information Systems and Performance Audit, and Patrick Arulsingham, Senior Director Financial Audit completed their tenure in February 2022.

The key responsibilities of the committee are to:

- oversee the delivery of strategic IT initiatives
- review the technology implications for strategic organisational projects
- review and endorse the IT risk appetite and mitigation strategies
- approve technology and information management policies and standards.



Report from the IGC Chair

The IGC provides governance and strategic oversight to ensure that technology and information assets are managed appropriately to benefit the OAG, enable its staff and protect its reputation.

During the year, the IGC provided governance and strategic guidance for the delivery and management of the OAG's information assets and security posture using a risk-based approach.

This year, data analytics capabilities and data literacy enhancements have been a focus area, with the aim of strengthening our business intelligence capability. The foundational elements of the OAG's data analytics capabilities have supported the Forensic Audit business unit to deliver forecasts and insights in their inaugural audit report.

Our technology infrastructure is critical to future systems and capabilities for the OAG, and a project to refresh the infrastructure assets has commenced with delivery this year of the network access switches and wireless network refresh. The new network design allows staff to work flexibly across the office to further enhance collaboration and support a digital workplace.

Key areas of focus for the IGC over the coming year will be ensuring that key underpinning frameworks and strategies are refreshed, strategic objectives are being delivered, increased attention on information governance and making sure that the IGC provides effective oversight and governance, aligned to the needs of the Executive Management Group and the Audit and Risk Management Committee.

As incoming chair this year, I would like to thank Sandra Labuschagne for her leadership, dedication and contribution during the last three years as chair. I also acknowledge and thank the outgoing members – Aloha Morrissey, Patrick Arulsingham and Grant Robinson for their contributions and support.

Jason Beeley

Chair, Information Governance Committee



Audit methodology and tool

This year we made significant progress with the procurement of a whole-of-office audit tool and enhanced financial audit methodologies. A request for information was issued in September 2021 to provide insight and gather the latest market intelligence for the subsequent request for tender for an audit tool that was issued in February 2022. The transition to the new tool and financial audit methodologies is expected to be completed by the end of June 2023.

Audit tool

We undertook research to gain a better understanding of available audit tools and used this information to shape our procurement process. The process started during this financial year and an award should be made to the successful provider early in the next financial year.

Audit methodology

Through this project we aim to have contemporary audit methodologies that are in line with professional best practice. We engaged a service provider to assist with the evaluation of our current financial audit methodologies for the audits of:

- State government entities' financial statements, controls and key performance indicators
- local government entities' financial reports, including material non-compliance with legislation
- grant acquittals and certifications.

We expect to complete the development and enhancement of the methodologies by early 2023. All staff will then be trained on using them before they are rolled out across all audits.



Financial management

We use financial data to monitor and report on our performance and inform our decisions. In addition, budget forecasting and meeting long-term resourcing requirements are key aspects of our strategic planning. Ensuring sound financial management of our business is crucial and more critical as the sector is striving to deliver efficiencies in all aspects of operations.

This year we transitioned to a new finance solution to replace our ageing and legacy system.

Our Corporate Services business unit piloted the system in early 2022. This allowed us to identify and resolve any issues before deploying the new system to the whole organisation. We also used this experience to develop and tailor our training material. The new system is ready to be rolled out to the rest of the office in the next financial year. In preparation, face-to-face personalised training has been provided to all users, with system champions identified across the office and quick reference user guides made available on the intranet.

Forensic audit

Our Forensic Audit team continues to explore the tools and techniques to best interpret available information to efficiently target our work. We will assess information for credibility and reliability, and apply reasoning and critical thinking to:

- inform long-term strategic priorities through the production of forward-looking intelligence assessments focused on drivers of strategic risk, sector trends and emerging issues
- inform mid-term targeting focus through the assessment of high-risk entities or high-risk activities
- provide insight into the immediate threat or risk environment by evaluating and assessing inputs such as a community referral.

We are in the process of acquiring a commercial platform to support this work.

Over the past year we have also implemented tools and technologies to support our data analytics including:

- licences to support data extraction, transformation and modelling
- a high-specification computer to execute resource intensive activity
- analytic applications for adhoc analysis and published data from entities such as the Public Sector Commission and the Department of Finance.

We are currently exploring the potential for new software in respect of data acquisition, processing and storing unstructured data (e.g. emails and PDFs) and cognitive services for natural language processing and text searches.



Data analytics

Our journey to develop data literacy across the organisation continued this year, through weekly lunch and learn sessions and deep dive practical sessions.

A broad cross-section of the organisation attended these sessions, strengthening their ability to analyse and interpret data, and present it in a meaningful way.

In May 2022, we appointed a Director Strategic Business Intelligence to lead and further develop our organisational capability. Over the next 12 months, we will further enhance our capabilities in data education and training, providing insights to support business decisions and automating processes where practicable.

In time, our data analytic capabilities will increasingly support the delivery of audit services.

Teams telephony

To support our workforce to be more mobile, this year we adapted our phone system to operate via Microsoft Teams. All employees now carry headphones and are able to answer their phone regardless of where they are working.

We initially deployed Microsoft Teams in 2020 as part of responding to increased working from home requirements, primarily focusing on collaboration functions. Leveraging our employees' familiarity with the system, this year's implementation of telephony functions was well-received and was supported by pilot groups and in-person training.

Network refresh

To deliver a modern, digital workplace that supports collaboration, flexibility and enhances the user experience, we refreshed our local network infrastructure. As every employee is equipped with a laptop, we enhanced our corporate Wi-Fi network to provide a modern workplace experience supporting increased mobility.

Over the coming year, we plan to continue refreshing our technology infrastructure and investing in significant refreshes of systems, tools and processes to support changing business needs and strategic objectives.



Approach to surveys

We offer all audited entities the opportunity to provide feedback on how we and our contract audit firms have conducted audits and on the value of our findings and opinions. We also survey members of Parliament to ensure our communication methods are appropriate and our reports are valuable to them. This year, we reviewed our approach to surveys, as part of our commitment to continuous improvement.

Continuous improvement works best when we take small but meaningful steps towards process improvement rather than completely changing a whole system. As such, as part of our review, we highlighted three key areas for improvement: timeliness, length of surveys and how we use the results.

Previously, we launched our financial audit surveys once the majority of audits were completed. Similarly, for performance audit surveys we waited until we had tabled a number of reports in Parliament before surveying all audited entities together. This meant that for some entities there was a long time between their audit taking place and receiving our survey. We now launch surveys more continuously, with entities receiving them shortly after their audit has concluded. We hope feedback gathered this way will be more relevant and timely, and ultimately more valuable.



To try to increase our response rate we have reduced the number of survey questions. We appreciate that one of the reasons for not responding to surveys is the time it takes. If we can gather valuable insights in fewer questions, and reduce the time it takes, this will be beneficial to both us and our clients.

We are also changing how we use the survey results, focusing on where we can address issues directly with an entity and then spreading the learnings across future audits. We will continue to use feedback to inspire our audit teams and to demonstrate the value we provide to entities, Parliament and the WA community.

We will continue to evaluate the way we are approaching surveys throughout 2022-23 and continue to develop sound strategies for addressing feedback and improving our processes.

Certification of financial statements

For the reporting period ended 30 June 2022

The accompanying financial statements of the Office of the Auditor General have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2022 and the financial position as at 30 June 2022.

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



Elli Gougoulis
Chief Financial Officer
19 August 2022



Caroline Spencer
Accountable Authority
19 August 2022

Independent auditor's opinion



INDEPENDENT AUDITOR'S REPORT TO THE PARLIAMENT OF WESTERN AUSTRALIA OFFICE OF THE AUDITOR GENERAL

Report on the Financial Statements

Opinion

We have audited the financial report of the Office of the Auditor General ("the Office"), which comprises the Statement of Financial Position as at 30 June 2022, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and the Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Office of the Auditor General for the year ended 30 June 2022 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and relevant Treasurer's Instructions.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Office in accordance with the auditor independence requirements of the *Auditor General Act 2006* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



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Independent auditor's opinion



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Key Audit Matter was addressed
Revenue Recognition – Accrued Revenue	
<p>The Office recognises audit fee revenue based on the percentage of completion of audit engagements. For the year ended 30 June 2022, the Office recorded audit fee revenue of \$27.90 million, of which accrued revenue relating to engagements in progress of \$12.58 million was recorded in the Statement of Financial Position as at balance date.</p> <p>The determination of the percentage of completion for audit engagements in progress requires significant estimation and judgement from management, in particular the assessment of the recoverability of work in progress balances recorded at year end.</p> <p>Work in progress is considered to be a key audit matter due to the significance of the asset to the Office's financial position, and the estimation uncertainty inherent in the nature of the asset.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none">• Assessing the appropriateness of the Office's revenue recognition accounting policies;• Obtaining an understanding of management's processes and controls surrounding revenue recognition, billing and work in progress;• Testing the design, implementation and effectiveness of the key processes and controls relating to revenue;• Critically evaluating and analysing management's assessment and basis for determining the percentage of completion;• Identifying any engagements with unusual percentages of completion and assess for reasonableness;• Testing of the model's inputs to supporting contracts and documentation for a sample of engagements;

Independent auditor's opinion



Key Audit Matter	How the Key Audit Matter was addressed
	<ul style="list-style-type: none"> • Checking the mathematical accuracy of the model used to calculate the accrued revenue balance; and • Assessing the appropriateness of the disclosures included in Notes 4 and 6.
Provisions – Employee Entitlements	
<p>Included in the Statement of Financial Position are provisions of \$5.05 million, of which \$3.80 million is current and \$1.25 million is non-current. The provisions consists of employee benefits, including annual and long service leave.</p> <p>The nature of the operations of the Office require a significant amount of human resources. Therefore, these provisions were identified as a risk due to the quantitative significance of the balance, and the calculations required in estimating the balance.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> • Obtaining the client schedules for each class of provision and agreed the amounts to the general ledger; • Testing of the design, implementation and effectiveness of the key processes and controls relating to payroll; • Checking arithmetic calculations within each of these schedules; • Testing a sample of employees' movements in entitlements to supporting documentation; • Reviewing the actuarial assessment of annual and long service leave; • Testing the provisions for completeness by comparing the listing to payroll records; and • Assessing the appropriateness of the disclosures included in Note 3.1(b).

Independent auditor's opinion



Other Information

The Auditor General is responsible for the other information. The other information comprises the information included in the Office's annual report for the year ended 30 June 2022, but does not include the financial statements, the audited key performance indicators and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Auditor General for the Financial Statements

The Auditor General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the relevant Treasurer's Instructions, and for such internal control as the Auditor General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Auditor General is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Independent auditor's opinion



Auditor's Responsibilities for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, our responsibility is to express an opinion on the financial statements based on our audit. The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but unless otherwise stated not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor General.
- Conclude on the appropriateness of the Auditor General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's opinion



From the matters communicated with the Auditor General, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Controls

Opinion

We have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Office of the Auditor General. The Controls exercised by the Office of the Auditor General are those policies and procedures established by the Auditor General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

Our opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects, the controls exercised by the Office of the Auditor General are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2022.

Responsibilities of the Auditor General

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

Independent auditor's opinion



Auditor's Responsibilities

As required by the *Auditor General Act 2006*, our responsibility is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That Standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on our judgement, including the assessment of the risk that controls are not suitably designed or implemented as designed. Our procedures included testing the implementation of those controls that we consider necessary to achieve the overall control objectives.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may be unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion

We have undertaken a reasonable assurance engagement on the key performance indicators of the Office of the Auditor General for the year ended 30 June 2022. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

Independent auditor's opinion



In our opinion, in all material respects, the key performance indicators of the Office of the Auditor General are relevant and appropriate to assist users to access the Office's performance and fairly represent indicated performance for the year ended 30 June 2022.

Auditor General's Responsibility for the Key Performance Indicators

The Auditor General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal controls as the Auditor General determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Auditor General is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 Key Performance Indicators.

Auditor's Responsibility

As required by the *Auditor General Act 2006*, our responsibility is to express an opinion on the key performance indicators. The objectives of the engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the Office's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments we obtain an understanding of the internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

Independent auditor's opinion



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

Independence and Quality Control Relating to the Reports on Financial Statements, Controls and Key Performance Indicators

We have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Office of the Auditor General for the year ended 30 June 2022 included on the Office's website. The Auditor General is responsible for the integrity of the Office's website. This audit does not provide assurance on the integrity of the Office's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

A stylized, handwritten signature in grey ink that reads "Hall Chadwick".

HALL CHADWICK WA AUDIT PTY LTD

A stylized, handwritten signature in grey ink that reads "Chris Nicoloff".

CHRIS NICOLOFF CA
Director

Dated this 19th day of August 2022
Perth, Western Australia

Statement of comprehensive income

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
COST OF SERVICES			
Expenses			
Employee benefits expenses	3.1(a)	23,094	21,120
Supplies and services	3.2	14,615	13,056
Depreciation and amortisation expense	5.1, 5.2, 5.3	231	173
Accommodation expenses	3.2	2,043	2,171
Finance cost	7.4	3	1
Other expenses	3.2	57	62
Total cost of services		40,043	36,583
Revenue and Income			
User charges and fees	4.2	9,345	7,465
Other revenue	4.3	35	30
Total revenue		9,380	7,495
Total income other than income from State Government		9,380	7,495
NET COST OF SERVICES		30,663	29,088
Income from State Government			
Service appropriation	4.1	11,500	11,132
Income from other public sector entities		18,588	18,052
Resources received free of charge		282	422
Total income from State Government		30,370	29,606
SURPLUS/(DEFICIT) FOR THE PERIOD		(293)	518
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(293)	518

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7.1	3,930	5,563
Receivables	6.1	12,970	11,380
Amounts receivable for services	6.2	390	390
Other current assets	6.3	533	647
Total Current Assets		17,823	17,980
Non-Current Assets			
Restricted cash and cash equivalents	7.1	484	357
Amounts receivable for services	6.2	4,921	4,541
Property, plant and equipment	5.1	451	287
Right-of-use assets	5.2	94	54
Intangible assets	5.3	296	276
Total Non-Current Assets		6,246	5,515
TOTAL ASSETS		24,069	23,495
LIABILITIES			
Current Liabilities			
Payables	6.4	3,228	3,233
Provisions	3.1(b)	3,796	3,313
Lease Liabilities	7.3	30	25
Total Current Liabilities		7,054	6,571
Non-Current Liabilities			
Provisions	3.1(b)	1,250	1,248
Lease Liabilities	7.3	65	30
Total Non-Current Liabilities		1,315	1,278
TOTAL LIABILITIES		8,369	7,849
NET ASSETS		15,700	15,646
EQUITY			
Contributed equity		9,926	9,579
Accumulated surplus		5,774	6,067
TOTAL EQUITY		15,700	15,646

The Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2022

	Notes	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000
Balance at 1 July 2020		9,231	5,549	14,780
Surplus/(deficit)		-	518	518
Total comprehensive income for the period		-	518	518
Transactions with owners in their capacity as owners:				
Capital appropriations		348	-	348
Total		348	-	348
Balance at 30 June 2021		9,579	6,067	15,646
Balance at 1 July 2021		9,579	6,067	15,646
Surplus/(deficit)		-	(293)	(293)
Total comprehensive income for the period		-	(293)	(293)
Transactions with owners in their capacity as owners:				
Capital appropriations		347	-	347
Total		347	-	347
Balance at 30 June 2022		9,926	5,774	15,700

The Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		10,729	10,361
Capital appropriations		347	348
Funds from other public sector entities		18,551	17,642
Holding Account drawdown		391	390
Net cash provided by State Government		30,018	28,741
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(22,563)	(20,236)
Supplies and services		(14,653)	(12,012)
Finance costs		(3)	(1)
Accommodation		(1,760)	(1,749)
GST payments on purchases		(1,507)	(1,532)
GST payments to taxation authority		(1,757)	(1,612)
Other payments		(57)	(62)
Receipts			
User charges and fees		7,665	6,459
GST receipts on sales		2,782	2,458
GST receipts from taxation authority		708	406
Other receipts		35	232
Net cash used in operating activities		(31,110)	(27,649)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(377)	(575)
Receipts			
Proceeds from sale of non-current assets		-	-
Net cash used in investing activities		(377)	(575)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Principal elements of lease payments		(37)	(46)
Net cash used in financing activities		(37)	(46)
Net increase/(decrease) in cash and cash equivalents		(1,506)	471
Cash and cash equivalents at the beginning of the period		5,920	5,449
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.1	4,414	5,920

The Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1: Basis of preparation

The Office of the Auditor General (OAG) is a Western Australian (WA) Government entity and is controlled by the State of WA, which is the ultimate parent. The OAG is a not-for-profit reporting entity. A description of the nature of our operations and principal activities has been included in the Overview which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the OAG on 19 August 2022.

Statement of compliance

These general purpose financial statements have been prepared in accordance with:

- the *Financial Management Act 2006* (FMA)
- the Treasurer's Instructions (TIs)
- Australian Accounting Standards (AAS) – Simplified Disclosures
- where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

The FMA and TIs take precedence over AAS. Several AAS are modified by the TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

Accounting for goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- amount of GST incurred by the Office as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Contributed Equity

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

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

2: Office outputs

How the Office operates

This section includes information regarding the nature of funding the Office receives and how this funding is utilised to achieve the Office's objectives.

2.1 Office objectives

Mission

Our mission is to serve the public interest through independent auditing and reporting on State and local government finances and performance.

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

Services

The Office is responsible for the delivery of one service: public sector auditing. This comprises the external audit of WA State and local government sectors through audits of financial statements, controls and key performance indicators and audits of efficiency, effectiveness and compliance of public sector operations.

All income, expenditure, assets and liabilities are in relation to the delivery of this service.

3: Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the Office's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Office in achieving its objectives and relevant notes are:

	Notes		
Employee benefits expense	3.1(a)	23,094	21,120
Employee related provisions	3.1(b)	5,046	4,561
Other expenditure	3.2	16,715	15,289

3.1(a) Employee benefits expenses

Financial disclosure

Employee benefits	20,948	19,356
Termination benefits	97	-
Superannuation – defined contribution plans	2,049	1,764
Total employee benefits expenses	23,094	21,120
Add: AASB 16 Non-monetary benefits (not included in employee benefits expense)	41	47
Less: Employee contributions (per Note 4.3 Other revenue)	(34)	(30)
Net employee benefits	23,101	21,137

Accounting policy

Employee benefits: Include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits recognised under accounting standards other than AASB 16 (such as cars) for employees.

Termination benefits: Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Office is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Superannuation: The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESB schemes or other superannuation funds.

AASB 16 Non-monetary benefits: Includes provision of vehicle benefits that are recognised under AASB 16 and are excluded from the employee benefits expense.

	2022 \$'000	2021 \$'000
3.1(b) Employee related provisions		
<i>Financial disclosure</i>		
Current		
<i>Employee benefits provision</i>		
Annual leave ^(a)	2,303	1,986
Long service leave ^(b)	1,405	1,273
Purchased leave ^(c)	33	43
	3,741	3,302
<i>Other provisions</i>		
Employment on-costs ^(d)	55	11
Total current employee related provisions	3,796	3,313
Non-current		
<i>Employee benefits provision</i>		
Long service leave ^(b)	1,248	1,246
<i>Other provisions</i>		
Employment on-costs ^(d)	2	2
Total non-current current employee related provisions	1,250	1,248
Total employee related provisions	5,046	4,561

Accounting policy

Provision is made for benefits accruing to employees in respect of annual leave, long service leave and purchased leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

(a) Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. All annual leave is considered to be a current liability. An actuarial assessment of annual leave was undertaken by PricewaterhouseCoopers (PwC) Actuaries at 30 June 2022. The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

Several estimations and assumptions used in calculating the Office's annual leave provisions include expected future salary rates, discount rates, employee retention rates and timing of expected future payments. Changes in these estimations and assumptions may impact the carrying amounts of the annual leave provisions.

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

3.1(b) Employee related provisions (continued)

(b) Long service leave

The provision for long service leave is calculated at present value as the Office does not expect to wholly settle the amounts within 12 months. An actuarial assessment of long service leave was undertaken by PwC Actuaries at 30 June 2022. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date.

The current liability has been determined as the sum of the present value of:

- all leave that is unconditional at the reporting date
- all leave that is expected to become unconditional within the 12 months following the reporting date
- all leave where the Office does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

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

(c) Purchased leave

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

2022	2021
\$'000	\$'000

(d) Employment on-costs

Employment on-costs, including workers' compensation insurance premiums, are not employee benefits and are recognised separately as liabilities and expenses when employment to which they relate has occurred. Employment on-costs are included as part of Note 3.2 Other expenditure and are not included as part of the Office's Employee benefits expense. The related liability is included in Employment on-costs provision.

Employment on-costs provision

Carrying amount at start of the period	13	17
Additional/(reversal of) provisions recognised	44	(4)
Payments of economic benefits	-	-
Carrying amount at end of the period	57	13

	2022 \$'000	2021 \$'000
3.2 Other expenditure		
<i>Financial disclosure</i>		
<i>Supplies and services</i>		
Contracted audit work – State	4,374	4,336
Contracted audit work – Local government	4,893	3,973
Other services and contracts	2,938	2,755
Other staffing costs	512	399
Repairs and maintenance	129	566
Travel and accommodation	253	266
Administration	1,199	489
Consumables	82	65
Motor vehicle lease expenses	31	38
Artwork leases	5	
Communications	175	121
Advertising	24	36
Other		12
Total supplies and services expenses	14,615	13,056
<i>Accommodation expenses</i>		
Office lease rentals ^(a)	1,490	1,626
Office parking	104	102
Monthly outgoings	449	443
Total accommodation expenses	2,043	2,171
<i>Other expenses</i>		
Employment on-costs	38	19
Other expenses	19	43
Total other expenses	57	62
Total other expenditure	16,715	15,289

(a) Office lease rentals represent the cost of renting office accommodation from the Department of Finance (DoF). See Note 5.2 Right-of-use assets.

Accounting policy

Supplies and services, accommodation expenses and other expenses are recognised as an expense in the reporting period in which they are incurred.

4: Our funding sources

How we obtain our funding

This section provides additional information about how the Office obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income and revenue received by the Office and relevant notes are:

	Notes	2022 \$'000	2021 \$'000
Income from State Government	4.1	30,370	29,606
User charges and fees	4.2	9,345	7,465
Other revenue	4.3	35	30

4.1 Income from State Government

Financial disclosure

Appropriation received during the period:

Service appropriation ^(a)	11,500	11,132
	11,500	11,132

Income received from other public sector entities during the period:

Audit Fee – General Government	14,364	13,756
Audit Fee – Public Non-Financial Corporations	3,603	3,519
Audit Fee – Public Financial Corporations	621	777
	18,588	18,052

Resources received free of charge from other public sector entities during the period:

State Solicitor's Office	2	5
Department of Finance	280	417
	282	422
Total income from State Government	30,370	29,606

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

4.1 Income from State Government (continued)

Accounting policy

Service appropriations are recognised as income at the fair value of consideration in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited into the bank account or credited to the holding account held at Treasury.

Income from other public sector entities consists solely of audit fees.

The policy in connection with revenue recognition for audit fees is outlined in Note 4.2 User charges and fees.

Assets or services received free of charge or significantly less than fair value that the Office would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Summary of consolidated account appropriations

For the year ended 30 June 2022

	2022 Budget Estimate \$'000	2022 Supplementary Funding \$'000	2022 Revised Budget \$'000	2022 Actual \$'000	2022 Variance \$'000
DELIVERY OF SERVICES					
Item 38 Net amount appropriated to deliver services	10,687	-	10,687	10,687	-
Amount Authorised by Other Statutes					
- <i>Salaries and Allowances Act 1975</i>	813	-	813	813	-
Total appropriations provided to deliver services	11,500	-	11,500	11,500	-
CAPITAL					
Item 117 Capital appropriations	347	-	347	347	-
GRAND TOTAL	11,847	-	11,847	11,847	-

2022
\$'000

2021
\$'000

4.2 User charges and fees

Financial disclosure

Audit Fee – Local Government	7,224	5,476
Audit Fee – Other	2,121	1,989
Total audit fees	9,345	7,465

Accounting policy

Revenue is recognised at the transaction price when the Office transfers control of the services to customers.

The Office is bound by the *Auditor General Act 2006* and *Local Government Act 1995* to deliver auditing services to client entities. For financial audits, this is represented by the delivery of a distinct audit report in exchange of which an audit fee is payable by the audited entity based on the principles of cost recovery. The auditing service does not create an asset with an alternative use to the Office and the Office retains an enforceable right to payment for performance completed to date, allowing the Office to recognise revenue over time. The measure of progress towards complete satisfaction of the performance obligation is the percentage completed based on inputs such as costs incurred to date through underlying internal billing data, or progress payments incurred from contract audit firms, supplemented by their estimate of subsequent work completed but not yet billed. Payment for audit fees is typically due within 20 days.

Net appropriation determination - The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. The Office retained \$27.9 million in 2022 (\$25.5 million in 2021) from assurance and auditing fees, government vehicle scheme and other revenue. Also see Note 4.3 Other revenue.

2022
\$'000

2021
\$'000

4.3 Other revenue

Financial disclosure

Contributions for the use of motor vehicle	34	30
Miscellaneous	1	-
	35	30

5: Key assets

Assets the Office utilises for economic benefit or service potential

This section includes information regarding the key assets the Office utilises to gain economic benefits or service potential. The section sets out both the key accounting policies and financial information about the performance of these assets.

	Notes		
Property, plant and equipment	5.1	451	287
Right-of-use assets	5.2	94	54
Intangible assets	5.3	296	276

5.1 Property, plant and equipment

Financial disclosure

Office and Computer Equipment

At cost	2,860	2,553
Accumulated depreciation	(2,409)	(2,266)
Carrying amount at end of period	451	287

2022
\$'000

2021
\$'000

5.1 Property, plant and equipment (continued)

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

Office and Computer Equipment

Carrying amount at start of period	287	104
Additions	307	283
Depreciation	(143)	(100)
Carrying amount at end of period	451	287

Accounting policy

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

Property, plant and equipment are initially recognised at cost. For items of property, plant and equipment acquired at no cost or for significantly less than fair value, the cost is the fair value at the date of acquisition. All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

2022
\$'000

2021
\$'000

Accounting policy – Depreciation and Useful lives

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

Office and computer equipment – two to 10 years.

Accounting policy – Impairment

Property, plant and equipment are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised through profit or loss.

As the Office is a not-for-profit entity, the recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

5.2 Right-of-use assets

Vehicles

Carrying amount at start of period	54	78
Additions	78	22
Depreciation	(38)	(46)
Carrying amount at end of period	94	54

The Office has leases for vehicles. The lease contracts are typically made for fixed periods of one to three years with an option to renew the lease after that date.

Initial recognition

At the commencement date of the vehicle lease, the Office recognises right-of-use assets and a corresponding lease liability for vehicle leases. The right-of-use assets are measured at cost comprising of:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in Note 7.3 Lease liabilities.

The Office has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of less than 12 months) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

Subsequent measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

The Office recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in Note 5.1 Property, plant and equipment.

The Office has also entered into a Memorandum of Understanding Agreement (MOU) with the Department of Finance for the leasing of office accommodation. This is not recognised under AASB 16 because of substitution rights held by the Department of Finance and payments are accounted for as an expense as incurred. See Note 7.2 Commitments.

	2022 \$'000	2021 \$'000
5.3 Intangible assets		
<i>Financial disclosure</i>		
Computer software		
At cost	1,887	1,651
Accumulated amortisation	(1,591)	(1,541)
Carrying amount at the end of the period	296	110
Computer software in development – at cost	-	166
Total	296	276

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the reporting period are set out in the table below:

Computer software		
Carrying amount at start of period	110	11
Additions	236	126
Amortisation expense ^(a)	(50)	(27)
Carrying amount at end of period	296	110

Computer software in development

Carrying amount at start of period	166	-
Additions	35	166
Capitalised	(118)	-
Disposals	(83)	-
Carrying amount at end of period	-	166

(a) Included as part of Depreciation and amortisation expenses in the statement of comprehensive income.

Accounting policy

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost is amortised over their useful lives. Costs incurred below these thresholds are immediately expensed to the Statement of Comprehensive Income. Intangible assets are initially recognised at cost. For assets acquired at nil or for significantly less than fair value, the cost is their fair value at the date of acquisition.

Expenditure relating to computer software development is capitalised when it meets the criteria outlined in the relevant Australian Accounting Standards. Management exercises judgement in determining the costs that are directly attributable to the development of computer software and require capitalisation.

Additional policy

Software-as-a-service (SaaS) arrangements

SaaS arrangements are service contracts providing the Office with the right to access the cloud provider's application software over the contract period. As such the Office does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract:

- fee for use of application software
- customisation costs.

Recognise as an operating expense as the service is received:

- configuration costs
- data conversion and migration costs
- testing costs
- training costs.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Accounting policy – Amortisation and useful lives

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

Software – three years.

Accounting policy – Impairment

The policy in connection with testing for impairment is outlined in Note 5.1 Property, plant and equipment.

2022
\$'000

2021
\$'000

6: Other assets and liabilities

This section sets out those assets and liabilities that arose from the operations of the Office and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes		
Receivables	6.1	12,970	11,380
Amounts receivable for services (Holding Account)	6.2	5,311	4,931
Other assets	6.3	533	647
Payables	6.4	(3,228)	(3,233)

6.1 Receivables

Financial disclosure

Current

Accrued revenue	12,584	10,978
GST receivables	133	258
Amounts receivable for employees seconded	253	144
Total	12,970	11,380

Accounting policy

Receivables are recognised at original invoice amount less any allowance for any uncollectable amounts (i.e. impairment). Accrued revenue includes amounts receivable for work-in-progress. Refer to Note 4.2 User charges and fees which details the method to determine the Office's progress towards the satisfaction of the performance obligation.

2022
\$'000

2021
\$'000

6.1 Receivables (continued)

The collectability of receivables and accrued revenue is reviewed on an ongoing basis and any receivables and accrued revenue identified as uncollectable are written-off against the allowance account. The allowance for uncollectable amounts (doubtful debts) is determined as the lifetime expected credit losses. The impairment allowance is nil (2021: nil). The carrying amount is equivalent to fair value as it is due for settlement within 20 days.

6.2 Amounts receivable for services (Holding Account)

Financial disclosure

Current	390	390
Non-current	4,921	4,541
Total	5,311	4,931

Accounting policy

The Office receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) held by Treasury. The accrued amount receivable is restricted as it is only accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement. Amounts receivable for services are considered not impaired (i.e. there is no expected credit loss of the Holding Account).

6.3 Other assets

Current

Prepayments	533	647
Total	533	647

2022
\$'000

2021
\$'000

6.4 Payables

Financial disclosure

Current

Trade payables	230	(1)
Accrued expenses	1,167	1,778
Accrued salaries	412	365
Paid parental leave	-	3
Work in progress contractor audit work	1,419	1,088
Total	3,228	3,233

Accounting policy

Payables are recognised at the amounts payable when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 20 days.

Accrued expenses represent the amount due to suppliers for which goods and services have been received by end of the financial year but invoices are still outstanding.

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to its fair value.

The work in progress contractor audit work represents the contract audit firms' estimate of work completed but not yet billed. See also Note 6.1 Receivables.

2022
\$'000

2021
\$'000

7: Financing

This section sets out the material balances and disclosures associated with the financing and cash flows of the Office.

	Notes
Cash and cash equivalents	7.1
Commitments	7.2
Lease liabilities	7.3
Finance cost	7.4

7.1 Cash and cash equivalents

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

Cash and cash equivalents at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

Cash and cash equivalents	3,930	5,563
Restricted cash and cash equivalents	484	357
	4,414	5,920

Restricted cash and cash equivalents

Financial disclosure

Non-current

Accrued salaries suspense account	484	357
	484	357

2022
\$'000

2021
\$'000

Accounting policy

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

7.2 Commitments

Other expenditure commitments

Commitments for rent payments are payable as follows:

Within 1 year	1,986	2,105
Later than 1 year and not later than 5 years	-	2,109
Later than 5 years	-	-
	1,986	4,214

The Office entered into a MOU with the Department of Finance for leasing floor space at Albert Facey House. While not a legally binding agreement, it has been agreed that all parties will comply with the terms and conditions as if they were legally enforceable obligations. It covers a five-year occupancy period from 1 July 2018 with rent payable monthly in arrears. Provisions within the MOU require that the rent payments shall be increased by any increase in market indices from 1 July 2019 and bi-annually thereafter. This office accommodation MOU is not a lease under AASB 16 (see Note 5.2 Right-of-use assets).

Other commitments predominantly include audit services contracted through private sector audit firms and other operational service contracts at the end of the reporting period but not recognised as liabilities, are payable as follows:

	2022 \$'000	2021 \$'000
7.2 Commitments (continued)		
Within 1 year	8,944	6,783
Later than 1 year and not later than 5 years	8,408	9,424
Later than 5 years	-	-
	17,352	16,207

7.3 Lease liabilities

Not later than 1 year	30	25
Later than 1 year and not later than 5 years	60	30
Later than 5 years	5	-
	95	55
Current	30	25
Non-current	65	30
Total lease liabilities	95	55

Accounting policy

The Office measures a lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Office uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments as part of the present value calculation of the lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options (where these are reasonably certain to be exercised)
- payments for penalties for terminating a lease, where the lease term reflects the Office exercising an option to terminate the lease
- periods covered by extension or termination options are only included in the lease term by the agency if the lease is reasonably certain to be extended (or terminated).

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments, not included in the measurement of the lease liability, are recognised by the Office in profit or loss in the period in which the condition that triggers those payments occurs.

Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications. This section should be read in conjunction with Note 5.2 Right-of-use assets.

	2022 \$'000	2021 \$'000
7.4 Finance cost		
Finance cost		
Lease interest expense	3	1
Finance cost expensed	3	1

8: Financial instruments and contingencies

This section sets out the key risk management policies and measurement techniques of the Office.

	Notes
Financial Instruments	8.1
Contingent assets and liabilities	8.2

8.1 Financial instruments

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

Financial assets

Cash and cash equivalents	3,930	5,563
Restricted cash and cash equivalents	484	357
Financial assets at amortised cost ^(a)	18,148	16,053
Total financial assets	22,562	21,973

Financial liabilities

Financial liabilities at amortised cost	3,228	3,233
Total financial liabilities	3,228	3,233

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

8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate. The Office has no contingent assets or liabilities.

9: Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of the financial statements.

	Notes
Changes in accounting policies	9.1
Key management personnel	9.2
Related party transactions	9.3
Remuneration of auditors	9.4
Events occurring after the end of the reporting period	9.5
Supplementary financial information	9.6

9.1 Changes in accounting policies

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities replaces the Reduced Disclosure Requirements (RDR) framework. The initial application of AASB 1060 does not have a material financial impact on the Office's financial statements.

2022
\$'000

2021
\$'000

9.2 Key management personnel

The Office has determined key management personnel to include senior officers of the OAG. The total salaries, superannuation, accrued leave benefits, monetary and non-monetary benefits for senior officers of the Office for the reporting period are presented within the following bands:

Compensation band (\$)	2022	2021
20,001 – 30,000	-	1
40,001 – 50,000	1	-
80,001 – 90,000	-	1
100,001 – 110,000	3	-
110,001 – 120,000	-	1
130,001 – 140,000	-	1
160,001 – 170,000	-	1
190,001 – 200,000	-	2
200,001 – 210,000	1	-
210,001 – 220,000	-	1
220,001 – 230,000	-	1
230,001 – 240,000	2	-
240,001 – 250,000	1	-
330,001 – 340,000	-	1
350,001 – 360,000	1	-
480,001 – 490,000	-	1
500,001 – 510,000	1	-
	10	11
	\$'000	\$'000
Total compensation of senior officers	2,133	2,168

The number of senior officers in the table above also include the remuneration of those senior officers who were with the Office for part of the year due to terminations or were under acting arrangements for longer than three months.

9.3 Related party transactions

The Office is a wholly owned public sector entity that is controlled by of the State of Western Australia. Related parties of the Office include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities
- all senior officers and their close family members, and their controlled or jointly controlled entities
- other agencies and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities)
- associates and joint ventures of a wholly-owned public sector entity
- the Government Employees Superannuation Board (GESB).

Material transactions with related parties

The Office had no material related party transactions with Ministers, senior officers or their close family members or their controlled or jointly controlled entities. Refer to Note 9.2 Key management personnel for disclosure of compensation of key management personnel.

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

Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity. See Summary of consolidated account appropriations under Note 4.1 Income from State Government.

	2022 \$'000	2021 \$'000
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9.4 Remuneration of auditor

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

Auditing the accounts, financial statements, controls and key performance indicators	46	43
Testing of opening balances in relation to FMIS upgrade	3	-
	49	43

9.5 Events occurring after the end of the reporting period

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

9.6 Supplementary financial information

During the current and previous financial years, there were no:

- write-offs by the Office
- losses through theft, defaults and other causes
- forgiveness of debts by the Office
- gifts of public property provided by the Office.

10: Explanatory statement

All variances between annual estimates (original budget) and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances which vary more than 10% from their respective estimate or prior period actual for the line item, and is more than 1% of:

- total Cost of Services for the previous year for the Statement of comprehensive income and Statement of cash flows (i.e. 1% of \$36,583,000)
- total Assets for the previous year for the Statement of financial position (i.e. \$1% of \$23,495,000).

	Variance Note	Estimate 2022 \$'000	Actual 2022 \$'000	Actual 2021 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2022 and 2021 \$'000
10.1 Statement of Comprehensive Income Variances						
Expenses						
Employee benefits expense		25,375	23,094	21,120	(2,281)	1,974
Supplies and services	1, a	12,271	14,615	13,056	2,344	1,559
Depreciation and amortisation expense	2	759	231	173	(528)	58
Accommodation expenses		2,278	2,043	2,171	(235)	(128)
Finance cost		4	3	1	(1)	2
Other expenses		112	57	62	(55)	(5)
Total cost of services		40,799	40,043	36,583	(756)	3,460
Revenue and Income						
User charges and fees	3, b	10,449	9,345	7,465	(1,104)	1,880
Other revenue		-	35	30	35	5
Total Revenue		10,449	9,380	7,495	(1,069)	1,885
Total income other than income from State Government		10,449	9,380	7,495	(1,069)	1,885
NET COST OF SERVICES		30,350	30,663	29,088	313	1,575
Income from State Government						
Service appropriation		11,500	11,500	11,132	-	368
Income from other public sector entities		18,418	18,588	18,052	170	536
Resources received free of charge		467	282	422	(185)	(140)
Total income from State Government		30,385	30,370	29,606	(15)	764
SURPLUS/(DEFICIT) FOR THE PERIOD		35	(293)	518	(328)	(811)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		35	(293)	518	(328)	(811)

10: Explanatory statement (continued)

	Variance Note	Estimate 2022 \$'000	Actual 2022 \$'000	Actual 2021 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2022 and 2021 \$'000
10.2 Statement of Financial Position Variances						
ASSETS						
Current Assets						
Cash and cash equivalents		4,881	3,930	5,563	(951)	(1,633)
Receivables		11,401	12,970	11,380	1,569	1,590
Amounts receivable for services		390	390	390	-	-
Other current assets		648	533	647	(115)	(114)
Total Current Assets		17,320	17,823	17,980	503	(157)
Non-Current Assets						
Restricted cash and cash equivalents		427	484	357	57	127
Amounts receivable for services		4,921	4,921	4,541	-	380
Property, plant and equipment	4	696	451	287	(245)	164
Right of use assets		107	94	54	(13)	40
Intangible assets		495	296	276	(199)	20
Total Non-Current Assets		6,646	6,246	5,515	(400)	731
TOTAL ASSETS		23,966	24,069	23,495	103	574
LIABILITIES						
Current Liabilities						
Payables		3,267	3,228	3,233	(39)	(5)
Provisions	5, c	3,313	3,796	3,313	483	483
Lease Liabilities		36	30	25	(6)	5
Total Current Liabilities		6,616	7,054	6,571	438	483
Non-Current Liabilities						
Provisions		1,248	1,250	1,248	2	2
Lease Liabilities		73	65	30	(8)	35
Total Non-Current Liabilities		1,321	1,315	1,278	(6)	37
TOTAL LIABILITIES		7,937	8,369	7,849	432	520
NET ASSETS		16,029	15,700	15,646	(329)	54
EQUITY						
Contributed equity		9,926	9,926	9,579	-	347
Accumulated surplus		6,103	5,774	6,067	(329)	(293)
TOTAL EQUITY		16,029	15,700	15,646	(329)	54

10: Explanatory statement (continued)

	Variance Note	Estimate 2022 \$'000	Actual 2022 \$'000	Actual 2021 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2022 and 2021 \$'000
10.3 Statement of Cash Flows Variances						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation		10,730	10,729	10,361	(1)	368
Capital appropriations		347	347	348	-	(1)
Funds from other public sector entities		18,103	18,551	17,642	448	909
Holding Account drawdown		390	391	390	1	1
Net cash provided by State Government		29,570	30,018	28,741	448	1,277
Utilised as follows:						
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	6, d	(25,289)	(22,563)	(20,236)	2,726	(2,327)
Supplies and services	7, e	(11,907)	(14,653)	(12,012)	(2,746)	(2,641)
Finance costs		(4)	(3)	(1)	1	(2)
Accommodation		(1,827)	(1,760)	(1,749)	67	(11)
GST payments on purchases		(1,800)	(1,507)	(1,532)	293	25
GST payments to taxation authority	8	-	(1,757)	(1,612)	(1,757)	(145)
Other payments		(112)	(57)	(62)	55	5
Receipts						
User charges and fees	9, f	10,313	7,665	6,459	(2,648)	1,206
GST receipts on sales	10	1,630	2,782	2,458	1,152	324
GST receipts from taxation authority	8	170	708	406	538	302
Other receipts		-	35	232	35	(197)
Net cash used in operating activities		(28,826)	(31,110)	(27,649)	(2,284)	(3,461)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets	11	(1,319)	(377)	(575)	942	198
Receipts						
Proceeds from sale of non-current assets		-	-	-	-	-
Net cash used in investing activities		(1,319)	(377)	(575)	942	198
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments						
Principal elements of lease payments		(37)	(37)	(46)	-	9
Net cash used in financing activities		(37)	(37)	(46)	-	9
Net increase/(decrease) in cash and cash equivalents		(612)	(1,506)	471	(894)	(1,977)
Cash and cash equivalents at the beginning of the period		5,920	5,920	5,449	-	471
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		5,308	4,414	5,920	(894)	(1,506)

10: Explanatory statement (continued)

Major estimate and actual variance narratives

Statement of comprehensive income

1. Supplies and services increased by \$2.34m (19.1%) compared to budget estimate due to the Office's final transition to the remaining local government entities, the majority of which are contracted out to professional auditing and assurance firms. In addition, there was an increase in consultants and contractors to assist with the service delivery in the Performance Audit branch, Financial Audit branch and Corporate Services.
2. Depreciation and amortisation expense is lower than the budget estimate by \$0.53m (69.6%) as the majority of the asset additions were purchased towards the end of the financial year, resulting in less depreciation and amortisation charges.
3. User charges and fees is less than budget estimate by \$1.10m (10.6%) because of the delay in completion of some local government audits.

Statement of financial position

4. Property, plant and equipment is less than budget estimate by \$0.25m (35.2%) due to the delay in delivery of server and storage infrastructure refresh equipment.
5. Current provisions are \$0.48m (14.6%) higher than budget estimate as the employees were unable to utilise annual leave due to the increased demand to undertake financial, forensic and performance auditing.

Statement of cash flows

6. Payments for employee benefits expense decreased by \$2.73m (10.8%) compared to budget estimate due to higher than expected vacancies in financial and performance auditing for the year.

7. Payments for supplies and services increased by \$2.75m (23.1%) compared to budget estimate due to increase in consultants and contractors to assist with service delivery in Financial Audit branch, Performance Audit branch and Corporate Services.
8. GST payments to tax authority exceeded the budget estimates by \$1.76m caused by this line item being reported as net GST receipts from taxation authority in the budget estimate. The net effect of these line items is an increase of \$1.22m (717.6%), compared to the budget estimate. The main reason for the net increase is an increase in income from other public sector entities for fees for financial audit opinions resulting in increase in GST payments to taxation authority.
9. Receipts for user charges and fees is lower than the budget estimate by \$2.65m (25.7%) due to the delay in the completion of some local government audits.
10. GST receipts on sales is greater than the budget estimate by \$1.15m (70.7%) due to an increase in income from other public sector entities for fees for financial audit opinions.
11. Payments for the purchase of non-current assets is lower than the budget estimate by \$0.94m (71.4%) due to the delay in delivery of server and storage infrastructure refresh equipment.

Major actual (2022) and comparative (2021) variance narratives

Statement of comprehensive income

- a. Supplies and services increased by \$1.56m (11.9%) compared to prior year due to the Office's final transition to the remaining local government entities the majority of which are contracted out to professional auditing and assurance firms. In addition, there was an increase in consultants and contractors to assist with the service delivery in the Performance Audit branch, Financial Audit branch and Corporate Services.

10: Explanatory statement (continued)

- b. User charges and fees increased by \$1.88m (25.2%) as compared to prior year because additional local governments were audited. There were also additional fees charged due to extended testing needed and passing on the increased cost of delivery associated with outsourced local government audits. In addition, there was a rise in the volume of grant certification activities.

Statement of financial position

- c. Current provisions increased by \$0.48m (14.6%) compared to prior year as there was an increase in the total number of employees required to undertake financial, forensic and performance auditing because of increased demand.

Statement of cash flows

- d. Payments for employee benefits increased by \$2.33m (11.5%) due to increase in number of employees over the previous year because of increased demand for financial, forensic and performance auditing.
- e. Payments for supplies and services increased by \$2.64m (22.0%) compared to prior year for the same reason cited in Variance Explanation Note a.
- f. Receipts for user charges and fees increased by \$1.21m (18.7%) compared to prior year due to same reason cited in Variance Explanation Note b.



Certification of key performance indicators

For the year ended 30 June 2022

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of the Auditor General's performance, and fairly represent the performance of the Office for the financial year ended 30 June 2022.



Caroline Spencer

Accountable Authority

19 August 2022

Performance indicators

The Office is a public sector entity established to support the Auditor General. The Auditor General is an independent Officer of the Parliament and as such reports directly to Parliament and ultimately the people of Western Australia providing assurance about the efficient and effective delivery of services and the responsible management of the State's finances.

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

Key effectiveness performance indicators

We assess our effectiveness informing in Parliament about public sector accountability and performance by the number of tabled reports compared to annual and three-year targets for each of the following categories of government activity:

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

This year marked the start of a new three-year reporting target period (2021-22 to 2023-24), with the Office having met the previous three-year target of 90 reports. While we aim to meet these reporting targets, we are also concerned with the quality of our reports and will not sacrifice this requirement to achieve a quantitative measure.

The Office has set a lower total reporting target for the new three-year cycle (84 down from 90) to reflect the recent trend of fewer section 82 notifications and the significant diversion of audit resources across all audit units that will be required to implement the new audit tool and financial audit methodology. Over the next 12 months, this project will require extensive consultation, adaptation to the Western Australian public sector environment, piloting and training of staff and contractors.

While we have reduced our overall three-year reporting target to 84, we have maintained a similar mix of category-specific reporting targets (22 Service delivery; 13 Economic development; 13 Social and environment; 36 Governance). This ensures that we continue to provide Parliament with broad coverage across government activity.

Table 23 shows the number of reports tabled in the preceding four years, our performance in 2021-22, and our latest three-year target figures.

Category	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Actual	2021-22 Target	3-year Target 2021-22 to 2023-24
Service delivery	4	2	5	7	6	8	22
Economic development	3	1	2	3	3	4	13
Social and environment	6	3	1	3	2	4	13
Governance	14	23	20	20	12	12	36
- Section 82 opinions	4	8	10	10	3	1	-
- Other	10	15	10	10	9	11	-
Total	27	29	28	33	23	28	84

Table 23: Key effectiveness performance indicator 2017-18 to 2021-22

The Office submitted a revised 2021-22 Estimated Actual report delivery target of 25 against the original 2021-22 Budget forecast of 28.¹

By 30 June 2022, we had delivered 23 reports. While this was five below the original target, it was nonetheless a positive result given the disrupted operating environment experienced (including staff absences due to COVID-19) since March 2022. We are on track to deliver a further four reports just outside our targeted timeframe for 2021-22. Some of these reports have required extended engagement with the audited entities given the significance of the final findings and recommendations. We remain confident that over the next two years, we will progress towards meeting the three-year target of 84 reports.

Our topic selection process aims to provide Parliament with information and assurance across all four categories of public sector activity so we retain this spread of reporting targets despite the anomalies presented by the section 82 notifications. However, our targets are one of several factors we consider in our selection of topics. Other factors include the significance of identified issues and matters referred to us by Parliament. These may also result in certain category targets not being met in a certain year.

¹ Government of Western Australia, *Western Australia State Budget 2022-23 Budget Paper No. 2 Budget Statements Volume 1*, Government of Western Australia, Perth, 12 May 2022, p. 156.

Key efficiency performance indicators

The key efficiency performance indicators measure the overall efficiency in delivering the OAG's service public sector auditing. The OAG is responsible for undertaking external audit of the WA public sector. This is performed through audits of controls, financial statements, key performance indicators, efficiency and effectiveness, and reporting the results to Parliament.

Our key efficiency performance indicators are:

- total audit cost per million dollars of gross government expenditure
- attest (financial) audit cost per million dollars of gross government expenditure
- performance audit cost per million dollars of gross government expenditure
- average number of days taken after balance date to issue financial audit opinions for State government entities.

Efficiency indicator	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Actual	2021-22 Target
Total audit cost per million dollars of gross government expenditure	\$504	\$575	\$476	\$491	\$537	\$527
Attest (financial) audit cost per million dollars of gross government expenditure	\$372	\$431	\$369	\$399	\$429	\$385
Performance audit cost per million dollars of gross government expenditure	\$132	\$144	\$107	\$92	\$108	\$142
Average number of days taken after balance date to issue financial audit opinions for State government entities	64.6 days	65.6 days	67.3 days	79.2 days	79.5 days	68.0 days

Table 24: Key efficiency performance indicator 2017-18 to 2021-22

The gross government expenditure value incorporates total public sector expenditure together with expenditure by universities, superannuation and other boards. The estimated actual total public sector expenditure from the Government Mid-Year Financial Projections Statement is used rather than actual total public sector expenditure as the actual results are not available at the time these key performance indicators are produced.

Although the OAG's costs in these efficiency indicators include the costs of local government audits, gross government expenditure from 2017-18 onwards does not include expenditure by local governments. Currently the Office's total cost of services takes into account increased activity and costs associated with its expanded audit remit in the local government sector, whereas cost efficiency indicators are based only on Gross Government expenditure for State government entities only.

The audit costs used to calculate the key efficiency indicators are extracted from the OAG's Financial Management Information System. The proportion of total cost assigned to attest (financial) and performance audits is based on recorded direct hours charged to audits and an activity based allocation of OAG overhead.

The increase in total audit cost, attest (financial) audits and performance audit cost per million dollars of gross government expenditure compared to the prior year is 9.37%, 7.52% and 17.39% due to OAG's expenditure increasing at a greater rate than the gross government expenditure and is mainly attributable to increases in expenses relating to the final transition of local government auditing and information systems audits, the introduction of data analytics and forensic auditing, the cost of contracts, and State government entities audited qualifications.

Similarly, the variance in total audit costs and attest (financial) audit cost per million dollars of gross government expenditure compared to the targets by 1.89% and 11.43% is due to the continuing extension of service delivery of local government auditing, increases in costs of delivering outsourced audits, and additional expenditure for training and development. The variance in performance audit cost by -23.94% compared to target is due primarily to the ongoing difficulties in recruiting and retaining appropriate numbers of skilled staff which reduces the expenditure on performance audits and has a direct effect on the number of audits performed and reports tabled.

Section 64 of the *Financial Management Act 2006* requires Ministers to table agency annual reports, including the audit opinion on the financial statements, controls and key performance indicators in Parliament within 90 days of the end of a financial year. Accordingly, we have adopted an efficiency indicator which measures the average number of days taken after balance date to issue entity financial audit opinions. Our target has been set with regard to this statutory requirement for all State entity financial audits. The actual and corresponding target of this indicator does not include local government financial auditing given there is no legislative requirement surrounding the timeliness of tabling the financial statements. The results for 2021-22 show OAG was unable to remain within stated target with a reduction in timeliness compared to prior year which reflects the increasing number and complexity of auditing and reporting issues (including qualifications and significant findings) the Office is identifying across the State sector. These factors, along with the ongoing difficulties in recruiting and retaining appropriate numbers of skilled audit staff, will likely continue contributing to longer auditing timeframes.



Other financial disclosures

Pricing policies

Our fee model is based on our legislation and Department of Treasury guidelines. We invoice State and local government entities for financial audits inclusive of information systems audits. Our fees also cover our focus audits, the basis of which is governance and financial accountability, and our information systems application audits.

Fees are based on the hours required to undertake each financial audit. Where a contractor conducts the audit on our behalf, we base the fees on the contractor's fees and our hours to review. The model also assumes:

- full recovery of direct costs including salary, superannuation and training
- full recovery of identified overheads with these costs being spread over all financial audit engagements.

Capital works

Capital projects completed (dollars spent this financial year)

- Network refresh equipment (\$91,000)
- Laptop replacement program (\$205,000)
- Network LAN refresh (\$121,000)
- Microsoft Teams telephony (\$8,000)

Staff profile

Category	At June 2022	At June 2021
Full time permanent	156	137
Full time contract	26	33
Part time permanent	21	19
Part time contract	2	11
Casual contract	0	1
On secondment into the OAG	4	1
Total	209	202

Table 25: Our staff profile

Employee development

As several of our employees are members of bodies that require a minimum number of continuing professional development hours, we are committed to the development of our people and assisting them attain and maintain their professional qualifications. We have an extensive program that delivered in excess of 26,000 hours of in-house and external training. This equates to over 120 hours per person for the year and has grown 100% over the past five years.

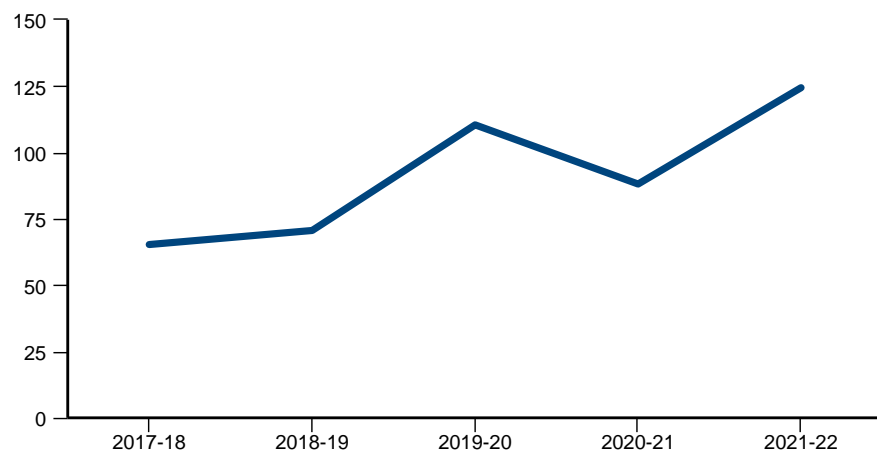


Figure 13: Training hours per person

As the result of our commitment to professional development and training, we are recognised as an employer partner by CPA Australia and Chartered Accountants Australia and New Zealand. More information on our program is outlined in the professional development section (page 32).

Workers compensation

This financial year no compensation claims were recorded. This compares with one compensation claim of a minor nature recorded in 2020-21.

Governance disclosures

Auditor General disclosure

Under schedule 1, clause 3 of the *Auditor General Act 2006*, the Auditor General must not, except so far as authorised by law or by resolutions of both Houses of Parliament, hold certain offices, places or positions referred to in the *Constitution Acts Amendment Act 1899*. The schedule also prohibits the Auditor General from engaging in any paid employment outside the duties of the OAG.

At no time since my appointment as Auditor General have I engaged in paid employment outside the duties of my office. I am a member of the State Records Commission, as authorised under section 58(a) of the State Records Act 2000. Under the Commonwealth Electoral Act 1918, section 60(d), I was appointed ex-officio member of the Redistribution Committee for Western Australian from November 2020 to August 2021 and under section 70(2)(c) a member of the Augmented Electoral Commission for Western Australia from May 2021 to August 2021. I was appointed to the Australian Accounting Standards Board from 1 January 2021 for three years on a non-remunerated basis.

- Caroline Spencer

Other legal requirements

Unauthorised use of credit cards

Our officers hold corporate credit cards where their functions warrant use of this facility. Cardholders are reminded of their obligations under our purchasing card policy. This year no employee used their credit card for a personal purchase (inadvertently or otherwise).

Category	2022
Number of instances the Western Australian Government Purchasing Cards have been used for personal purposes	0
Aggregate amount of personal use expenditure for the reporting period	na
Aggregate amount of personal use expenditure settled by the due date (within five working days)	na
Aggregate amount of personal use expenditure settled after the period (after five working days)	na
Aggregate amount of personal use expenditure outstanding at the balance date	na

Table 26: Personal use of OAG credit card

Expenditure on advertising and surveys

In accordance with s175ZE of the *Electoral Act 1907*, we incurred the following expenditure in recruitment advertising, conducting surveys and our contribution to the Australasian Council of Auditors-General benchmarking survey.

The total expenditure for 2021-22 was \$104,666.

Expenditure was incurred in the following areas (ex-GST):

Expenditure	Provider	Amount
Recruitment advertising	Initiative Media Australia	\$24,284
Surveys	Orima Research	\$80,382
Total		\$104,666

Table 27: Expenditure on advertising and surveys

Disability access and inclusion plan

In May 2022, we started consultation on our draft Disability and Inclusion Plan 2022-2027. The plan affirms our commitment to inclusivity, ensuring people with disability have the same opportunity as other people to access our services, information, communication and employment. The plan has been considered by the Executive Management Group and the Office Consultative Committee and will be advertised for public comment in July 2022.

We continue to incorporate disability awareness training across the OAG.

Compliance with public sector standards and ethical codes

Our policies and procedures are designed to meet compliance requirements of public sector standards and the public sector Code of Ethics. Our Code of Conduct specifies the personal behaviours expected of our employees. Additionally, our audit employees must adhere to the professional standards required of auditors.

We inform our employees of these standards and requirements at their OAG induction and publish all documents and updates on our intranet. Employees are also required to annually declare their commitment to the Code of Conduct.

Our Human Resources team provides consultancy and support services in relation to the public sector human resource standards, particularly in recruitment and selection processes, through panel membership, specialist advice and guidance. All applicant correspondence includes details on accessing public sector standards, and all recruitment and appointment processes are reviewed to ensure compliance.

There was one breach of standard claim lodged in the past year.

Recordkeeping plan

The OAG is committed to continuously improving our recordkeeping culture and practices to ensure compliance with the *State Records Act 2000* and best business outcomes.

In accordance with section 19 of the *State Records Act 2000*, the OAG maintains a recordkeeping plan that reflects our strong commitment to improving records management and our recordkeeping systems, disposal programs, policies and procedures. It focuses on ensuring all employees are aware of their compliance responsibilities and provided with training in these areas. The current plan is within the mandated five-year review period.

Our core recordkeeping system is Micro Focus Content Manager. We maintain a role-based security structure and have an integrated information classification mechanism. This has improved our information management model to better support our employees.

To improve the new starter induction experience, an online learning module has been developed. Additionally, OAG employees are periodically provided with tips and tricks and quick reference guides to improve their interaction and experience with the recordkeeping system, further enhancing a good recordkeeping culture.

Government policy requirements

Occupational safety and health and injury management

Measures	Results			Targets	Comments towards targets
	2019-20 prior year	2020-21 prior year	2021-22 current year		
Number of fatalities	0	0	0	0	✓
Lost time injury and disease incidence rate	0	0	0	0 or 10% reduction in incidence rate	✓
Lost time injury and severity rate	0	0	0	0 or 10% reduction in severity rate	✓
Percentage of injured workers returned to work (i) within 13-weeks	na	na	na	Greater than or equal to 80%	✓
Percentage of injured workers returned to work (ii) within 26-weeks	na	na	na	Greater than or equal to 80%	✓
Percentage of managers trained in occupational safety, health and injury management responsibilities including refresher training within 3-years	15%	81%	93%	Greater than or equal to 80%	✓

Table 28: Our occupational safety and health performance from 2019-20 to 2021-22

Committee remuneration

The independent chair and independent member of our Audit and Risk Management Committee receive remuneration as a consequence of their membership.

Position	Name	Type of remuneration	2021-22 Period of membership	Term of appointment	Base sitting fees	2021-22 Gross/actual remuneration *
Independent chair	Des Pearson	Hourly rate	3 months	Sessional	\$400/hour	\$3,700
Independent chair	Peter Wilson	Annual	9 months	2 year contract	\$22,500	\$16,875
Independent member	Peter Wilson	Hourly rate	3 months	Sessional	\$350/hour	\$5,775
Independent member	Trish Ridsdale	Annual	4 months	2 year contract	\$15,000	\$7,500
Total						\$33,850

* Remuneration reported excludes GST and travel expenses incurred as per Public Sector Commissioner's Circular 2009-20 – Reimbursement of Travel Expenses for Members of Government Boards and Committees.

Table 29: Remuneration of independent members of the Audit and Risk Management Committee

WA Multicultural Policy Framework

We submitted our inaugural Multicultural Plan to the Minister for Citizenship and Multicultural Affairs, the Hon Paul Papalia CSC MLA in January 2021. As a sector leader in employee cultural and linguistic diversity, the framework outlines our commitment to the three multicultural policy priorities that support the principles and objectives of the Western Australian Charter of Multiculturalism:

- Policy priority 1 – Harmonious and inclusive communities
- Policy priority 2 – Culturally responsive policies, programs and services
- Policy priority 3 – Economic, social, cultural, civic and political participation.

Our employees actively participate in events and activities around dates and events of cultural significance that raise awareness and understanding of cultural, linguistic and religious diversity. In our plan we have identified other actions that will maintain our level of cultural diversity including online multicultural training.

Appendix 1: Financial audit entities

Audits under *Financial Management Act 2006*

Departments

Commissioner for Equal Opportunity
Department of Biodiversity, Conservation and Attractions
Department of Communities
Department of Education
Department of Finance
Department of Fire and Emergency Services
Department of Health
Department of Jobs, Tourism, Science and Innovation
Department of Justice
Department of Local Government, Sport and Cultural Industries
Department of Mines, Industry Regulation and Safety

Department of Planning, Lands and Heritage
Department of Primary Industries and Regional Development
Department of the Legislative Assembly
Department of the Legislative Council
Department of the Premier and Cabinet
Department of the Registrar, Western Australian Industrial Relations Commission
Department of Training and Workforce Development
Department of Transport
Department of Treasury
Department of Water and Environment Regulation
Governor's Establishment
Mental Health Commission
Office of the Commissioner for Children and Young People
Office of the Director of Public Prosecutions

Office of the Information Commissioner
Office of the Inspector of Custodial Services
Parliamentary Commissioner for Administrative Investigations
Parliamentary Services Department
Police Service
Public Sector Commission
Western Australian Electoral Commission

Statutory authorities

Agricultural Produce Commission
Animal Resources Authority
Botanic Gardens and Parks Authority
Building and Construction Industry Training Board
Central Regional TAFE
Chemistry Centre (WA)
Child and Adolescent Health Service
Combat Sports Commission

Commissioner of Main Roads
Construction Industry Long Service Leave Payments Board
Corruption and Crime Commission
Country Housing Authority
Curtin University
Disability Services Commission
East Metropolitan Health Service
Economic Regulation Authority
Edith Cowan University
Energy Policy WA
Fire and Emergency Services Superannuation Board
Forest Products Commission
Gaming and Wagering Commission of Western Australia
Gascoyne Development Commission
Gold Corporation
Goldfields-Esperance Development Commission
Government Employees Superannuation Board

Great Southern Development Commission	Mid West Development Commission	Rural Business Development Corporation	The University of Western Australia
Health and Disability Services Complaints Office	Minerals Research Institute of Western Australia	School Curriculum and Standards Authority	The Western Australian Museum
Health Support Services	Murdoch University	Small Business Development Corporation	Trustees of the Public Education Endowment
Heritage Council of Western Australia	North Metropolitan Health Service	South Metropolitan Health Service	WA Building Management Authority
Housing Authority	North Metropolitan TAFE	South Metropolitan TAFE	WA Country Health Service
Infrastructure WA	North Regional TAFE	South Regional TAFE	Western Australian Coastal Shipping Commission
Insurance Commission of Western Australia	Parliamentary Inspector of the Corruption and Crime Commission	South West Development Commission	Western Australian Energy Disputes Arbitrator
Keep Australia Beautiful Council W.A.	PathWest Laboratory Medicine WA	State Supply Commission	Western Australian Greyhound Racing Association
Kimberley Development Commission	Peel Development Commission	Swan Bells Foundation Inc	Western Australian Health Promotion Foundation
Landcare Trust	Perth Theatre Trust	The Aboriginal Affairs Planning Authority	Western Australian Institute of Sport
Law Reform Commission of Western Australia	Pilbara Development Commission	The Anzac Day Trust	Western Australian Land Information Authority
Legal Aid Commission of Western Australia	Professional Standards Council	The Board of the Art Gallery of Western Australia	Western Australian Meat Industry Authority
Legal Contribution Trust	Public Transport Authority of Western Australia	The Burswood Park Board	Western Australian Planning Commission
Legal Costs Committee	Public Trustee	The Coal Miners' Welfare Board of Western Australia	Western Australian Sports Centre Trust
Local Health Authorities Analytical Committee	Quadriplegic Centre	The Library Board of Western Australia	Western Australian Tourism Commission
Lotteries Commission	Racing and Wagering Western Australia	The National Trust of Australia (W.A.)	
Metropolitan Cemeteries Board	Racing Penalties Appeal Tribunal of Western Australia	The Queen Elizabeth II Medical Centre Trust	
Metropolitan Redevelopment Authority	Rottnest Island Authority		

Western Australian Treasury Corporation

Wheatbelt Development Commission

WorkCover Western Australia Authority

Zoological Gardens Authority

Subsidiaries

Australian Pathways Education Group Pty Ltd

Edith Cowan Accommodation Holdings Pty Ltd

Edith Cowan University Hold Trust

Goldmaster Enterprises Pty Ltd

Homeswest Loan Scheme Trust

Innovative Chiropractic Learning Pty Ltd

Keystart Bonds Limited

Keystart Housing Scheme Trust

Keystart Loans Limited

Keystart Support Trust

Murdoch Retirement Services Ltd

Perth International Arts Festival Limited

The University Club of Western Australia Pty Ltd

UWA Accommodation Services Pty Ltd

UWA Sport Pty Ltd

Young Lives Matter Foundation UWA Ltd

Request audits

Alan and Iris Peacocke Research Foundation

Perth USAsia Centre Pty Ltd

Tertiary Institutions Service Centre Ltd

The Delegate to the Queen Elizabeth II Medical Centre Trust

Audits under other legislation

Cemeteries Act 1986

Albany Cemetery Board

Bunbury Cemetery Board

Kalgoorlie-Boulder Cemetery Board

Port Authorities Act 1999

Fremantle Port Authority

Headland Maritime Initiative Pty Ltd

Kimberley Ports Authority

Mid West Ports Authority

Pilbara Ports Authority

Southern Ports Authority

Other legislation

Annual Report on State Finances

Bunbury Water Corporation

Busselton Water Corporation

Horizon Power – Regional Power Corporation

Synergy – Electricity Generation and Retail Corporation

Water Corporation

Western Australian Land Authority

Western Power – Electricity Networks Corporation

Subsidiaries

South West Solar Development Holdings Pty Ltd

Synergy Renewable Energy Development Pty Ltd

Local government audits by transition year

2017-18

City of Belmont

Shire of Brookton

Shire of Bruce Rock

City of Bunbury

Bunbury-Harvey Regional Council

Town of Cambridge

Shire of Capel

City of Cockburn

Town of Cottesloe

Shire of Cranbrook

Shire of Cue

Shire of Cunderdin

Shire of Dandaragan

Shire of Denmark

Eastern Metropolitan Regional Council	Shire of Tammin	Shire of Corrigin	Shire of Mingenew
Shire of Exmouth	Shire of Three Springs	Shire of Cuballing	Town of Mosman Park
Shire of Jerramungup	City of Wanneroo	Shire of Dalwallinu	Shire of Mount Magnet
City of Joondalup	Shire of West Arthur	Shire of Derby-West Kimberley	Shire of Mukinbudin
City of Kalgoorlie-Boulder	Shire of Woodanilling	Shire of Donnybrook-Balingup	Shire of Mundaring
Shire of Kellerberrin	Shire of Wyalkatchem	Shire of Dowerin	Shire of Murchison
Shire of Kondinin	Shire of Yalgoo	Shire of Dundas	Murchison Regional Vermin Council
Shire of Koorda	Shire of York	Town of East Fremantle	Shire of Nannup
Shire of Laverton	2018-19	City of Fremantle	City of Nedlands
Shire of Menzies	City of Albany	Shire of Gnowangerup	Shire of Northam
Shire of Moora	Shire of Ashburton	Shire of Goomalling	Shire of Northampton
Shire of Morawa	Town of Bassendean	City of Gosnells	Shire of Nungarin
Shire of Narrogin	City of Bayswater	City of Greater Geraldton	Shire of Peppermint Grove
Shire of Northampton	Shire of Boddington	Shire of Halls Creek	Shire of Pingelly
Shire of Nungarin	Shire of Boyup Brook	Shire of Irwin	Shire of Serpentine-Jarrahdale
Shire of Perenjori	Shire of Bridgetown-Greenbushes	City of Kalamunda	South Metropolitan Regional Council
City of Perth	Shire of Broome	City of Karratha	City of Subiaco
Pilbara Regional Council	City of Busselton	Shire of Katanning	City of Swan
Shire of Ravensthorpe	City of Canning	Shire of Kojonup	Shire of Upper Gascoyne
Rivers Regional Council	Shire of Carnamah	Shire of Kulin	Town of Victoria Park
City of Rockingham	Shire of Christmas Island	City of Kwinana	Shire of Victoria Plains
Shire of Sandstone	Town of Claremont	Shire of Lake Grace	City of Vincent
City of South Perth	Shire of Cocos (Keeling) Islands	Shire of Meekatharra	Shire of Wagin
City of Stirling	Shire of Coorow	Shire of Merredin	

Western Metropolitan Regional
Council

Shire of Westonia

Shire of Wickpin

Shire of Williams

Shire of Wiluna

2019-20

City of Armadale

Shire of Augusta-Margaret River

Shire of Beverley

Shire of Broomehill-Tambellup

Shire of Carnarvon

Shire of Chapman Valley

Shire of Chittering

Shire of Coolgardie

Shire of Dardanup

Shire of Dumbleyung

Shire of Harvey

Shire of Leonora

Shire of Manjimup

Mindarie Regional Council

Shire of Mount Marshall

Shire of Murray

Shire of Narembeen

Town of Port Hedland

Shire of Shark Bay

Shire of Trayning

2020-21

Shire of Collie

Shire of East Pilbara

Shire of Esperance

Shire of Gingin

Shire of Kent

City of Mandurah

Shire of Ngaanyatjaraku

Shire of Plantagenet

Shire of Quairading

Tamala Park Regional Council

Shire of Toodyay

Shire of Wandering

Shire of Waroona

Shire of Wongan-Ballidu

Shire of Wyndham-East
Kimberley

Shire of Yilgarn

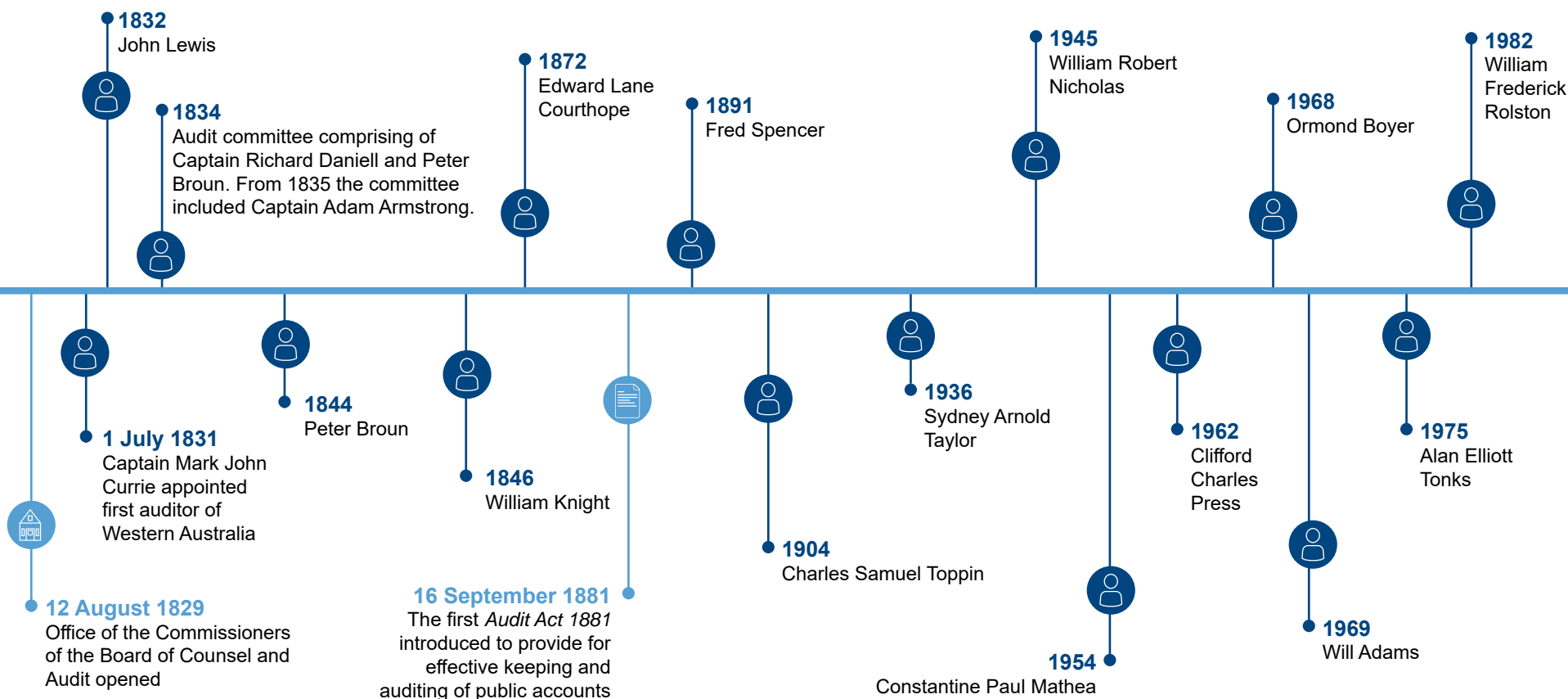


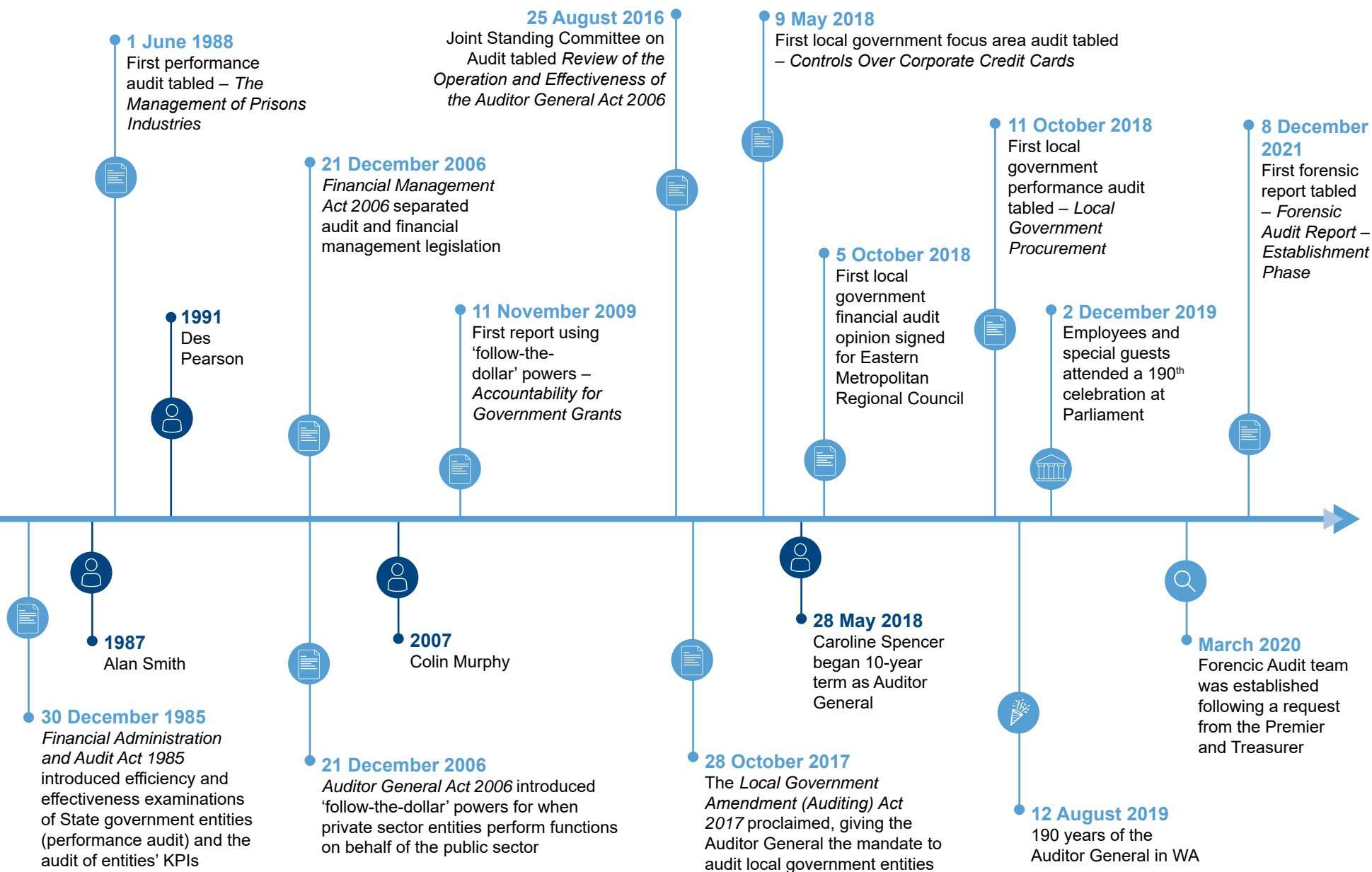
Our history

The origins of the OAG date back to the first months of settlement of the Swan River colony in 1829. In May, before even landing on shore, Captain Stirling formed a Board of Counsel and Audit in the management of the property of the Crown, and of public property within the settlement.

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

Western Australia has had 19 Auditors General. The current Auditor General, Caroline Spencer, is the first female appointed to the role.





Office of the Auditor General for Western Australia



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Annual Report 2021-2022



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Office of the Auditor General for
Western Australia

