



Office of the Auditor General
for Western Australia
Serving the Public Interest

Annual Report

2016-2017





THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

**ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR
ENDED 30 JUNE 2017**

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 2017.

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

COLIN MURPHY
AUDITOR GENERAL
8 August 2017

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

On request, we can deliver this report in an alternative format.

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Our vision

Serving the public interest by an informed Parliament.

Our mission

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

Our values

We are committed to our values of:

Integrity – we conduct our business in an independent, professional and ethical manner. We apply an open, honest and fair approach to our stakeholders.

Quality – we provide credible work that makes a difference. We take pride in our work and strive to deliver above expectations, using continuous improvement opportunities to improve our efficiency and effectiveness.

Respect – we value the contribution of our people, our clients and the community, and encourage a collaborative approach to our work.

About our report

Welcome to our 2016-17 Annual Report, providing a comprehensive look at our performance and the services we delivered during the year to inform Parliament on public sector accountability and performance.

The report summarises the activities and performance of the Office of the Auditor General (OAG) against the 4 result areas of our Strategic Plan – Our People, Our Tools, Our Approach and Our Products. It also describes our functions and operations, and presents the audited financial statements and key performance indicators for the year ended 30 June 2017.

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

Feedback

We welcome your feedback and comments about our annual report so we can improve the value of future reports. You can contact us by:

- completing a survey online <www.audit.wa.gov.au>
- sending an email <info@audit.wa.gov.au>
- writing to us <PO Box 8489, PERTH WA 6849>

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About us

The Auditor General is an independent officer of Parliament with responsibility for auditing the state public sector. The Auditor General has complete discretion in the performance of his functions. This independence and freedom from pressure, influence or interference is the cornerstone of public sector audit. Mr Colin Murphy, was appointed Auditor General for a non-renewable term of 10 years in June 2007, in accordance with the *Auditor General Act 2006*. In June 2017, the Governor extended Mr Murphy in the position until a new Auditor General is appointed.

The OAG is the public sector department established to support the Auditor General. The OAG is one of the largest audit practices in Western Australia and is a department of the public service. The Auditor General is the CEO and employer of staff.

The Auditor General and the OAG report directly to Parliament and not to a minister (Figure 1).



Figure 1: OAG reporting structure to Parliament

Three parliamentary committees have oversight of our operations – Public Accounts Committee (PAC), Estimates and Financial Operations Committee (EFOC) and Joint Standing Committee on Audit (JSCA).

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 departments, statutory authorities, tertiary institutions and corporatised entities
- undertaking wide-ranging performance examinations to ensure there are adequate controls within agencies, compliance with the relevant legislation, and most importantly efficiency, effectiveness and economy of agency operations or programs
- reporting the results of audits to Parliament in an objective, competent, insightful and timely manner.

Our main clients are the Parliament of Western Australia, Western Australian state government agencies and the people of Western Australia. In the past 12 months we completed financial audits of 187 agencies and subsidiaries that had a combined worth of over \$221 billion in assets.

We also assess the efficiency and effectiveness of public sector agencies and programs through performance audits. In 2016-17, we conducted and reported on 26 performance audits, involving over 90 agencies, that included 159 recommendations.

We deal with agencies employing over 135,700 people, that provide hugely diverse public services, including education, health, community services, justice, energy, natural resource management and economic development.

We achieve this with a budget of \$25.2 million and just over 139 people. Our people come with a range of qualifications and experiences, including commerce, economics, law, history, psychology, environmental science, human resources and information technology. We are very proud of this diversity because it strengthens our capacity and culture, and makes OAG a more enjoyable place to work.

Our history – highlights

12 August 1829	Office of the Commissioners of the Board of Counsel and Audit opened
1 July 1831	Captain Mark Currie appointed first auditor of Western Australia
16 September 1881	The first <i>Audit Act 1881</i> introduced to provide for the more effective keeping and auditing of public accounts
30 December 1985	<i>Financial Administration and Audit Act 1985</i> introduced efficiency and effectiveness examinations of agencies (performance audit) and the audit of agencies key performance indicators
1 June 1988	First performance audit tabled – <i>The Management of Prisons Industries</i>
21 December 2006	<i>Auditor General Act 2006</i> introduced ‘follow-the-dollar’ powers for when private sector entities perform functions on behalf of the public sector <i>Financial Management Act 2006</i> separated audit and financial management legislation
11 November 2009	First report using ‘follow-the-dollar’ powers – <i>Accountability for Government Grants within Fourth Public Sector Performance Report 2009</i>
25 August 2016	Joint Standing Committee on Audit tabled <i>Review of the Operation and Effectiveness of the Auditor General Act 2006</i>

From the Auditor General



I take pleasure in presenting my 11th annual report for the Office of the Auditor General.

Although my 10-year term as Auditor General concluded in June this year, I have been appointed by the Governor to remain in the role until a new Auditor General can be recruited.

The Western Australian public sector we audit is a body of many and diverse entities, with expenditure exceeding \$51 billion, assets exceeding \$221 billion and more than 135,700 people. Each year changes to

legislation, structures, operations and systems challenge us and the 2016-17 financial year was no different. My staff has responded as I expect – professionally, something I am very proud of.

Review of the Auditor General Act and access to information

This year marked a milestone for the OAG, with the Joint Standing Committee on Audit finalising its review of the operation and effectiveness of the *Auditor General Act 2006*. This review is a legislated requirement and was something which I was keenly anticipating.

The final report did not disappoint, providing a thorough and comprehensive review of the Office and the Act. The Committee made 24 recommendations, and concluded that the Auditor General effectively performed his duties and ‘the Office is a well-functioning audit office with no fundamental failings’.

The recommendations include strengthening the Act in a number of areas, particularly access to information. This is something I regard as a priority. A lack of authority under the current Act to access Cabinet and legal professional privilege documents continues to impact our audit program.

The ability to gather sufficient and appropriate evidence is a fundamental audit requirement and in worst case scenarios can prevent the issuing of an audit opinion. This is an important issue for my Office and I will continue to support the recommended changes through Parliament.

Record number of ministerial notifications

This year we received a record 51 ministerial notifications as a result of ministers withholding information from Parliament. Among these, for the first time, I had to consider whether Cabinet-in-confidence was reasonable justification for a Minister to withhold information (page 50). Cabinet confidentiality is particularly tricky as it is a long established principle of our system of government decision-making by protecting the deliberations and decisions of Cabinet.

While it is important that Cabinet information is kept in confidence, balancing that with the principles of public interest, transparency and parliamentary access to information is not easy. Many views were presented during deliberations and we found there was no science or statute to assist in determining what constitutes Cabinet-in-confidence. The overriding message to ministers and the agencies they represent is to consider each case on its merits, including if information is already publicly available and if providing redacted information to Parliament is appropriate.

New Parliament and public sector renewal

Following the state election, I was pleased to provide the incoming government and members with various briefings and information on our role and responsibilities, as well as recent and current audits. This was especially important with the large number of new members and parliamentary committees.

In late April 2017, the Premier announced the biggest restructuring of the public sector in decades with the reduction of government departments from 41 to 25. Although our composition is not directly affected by the renewal, the new structure will impact on the services we provide the public sector. We are cognisant of the changes the agencies we work with are going through and are continuing to focus on potential controls issues as part of our audit program.

Expansion of mandate to include local government

The legislation to introduce the auditing of local government by the Auditor General was reintroduced in the new Parliament on 11 May 2017. The Local Government Amendment (Auditing) Bill 2017 has progressed quickly to its final stages and all signs point to a possible proclamation of the new Act in the coming months.

Under the proposed legislation OAG will commence performance auditing from proclamation, with financial auditing transitioning over 3 years. While I have never sought or advocated for this responsibility, I am very comfortable with the content and intent of the Bill. The new mandate presents my Office with one of the biggest changes faced since our establishment in 1829. It will expand our audit responsibility by 80% to nearly 340 entities. We have started preparing and are confident that if, and when, the legislation passes we will be ready to work with local governments to meet their needs and those of Parliament.

Thank you

A number of professional relationships contribute to the success of my Office. I would like to thank my colleagues from the Australasian Council of Auditors-General for the valued information sharing, support and collaboration opportunities.

Also to my colleagues from the other accountability agencies that make up the Integrity Coordinating Group – the Public Sector Commissioner, the

Western Australian Ombudsman, the Information Commissioner and the Commissioner of the Corruption and Crime Commission, I recognise and value the strong working relationship.

I also thank the Parliament of Western Australia and in particular, the past and current members of the Public Accounts Committee, the Estimates and Financial Operations Committee and the Joint Standing Committee on Audit for their continued support throughout the year.

I wish to acknowledge the hard work, professionalism and dedication of my staff. While the reports we table in Parliament are our most visible product, what is often not seen is the effort behind these. This is the thousands of conversations and consultations my staff have with agencies each year that have ongoing impact on agency performance and transparency. The quality work we undertake does make a difference and I am proud of our achievements over the last year.

Finally, I would like to acknowledge the 40-year contribution of Glen Clarke, Deputy Auditor General to the OAG. Glen started with the Office as a graduate and throughout his career had enormous influence on the OAG and the state government sector. I thank Glen for his wisdom and sage advice over our 10 years together. He will retire as our longest serving employee and I, and all the staff, wish him the best in his retirement.



COLIN MURPHY
AUDITOR GENERAL
8 August 2017

Year in review

About us



139 employees



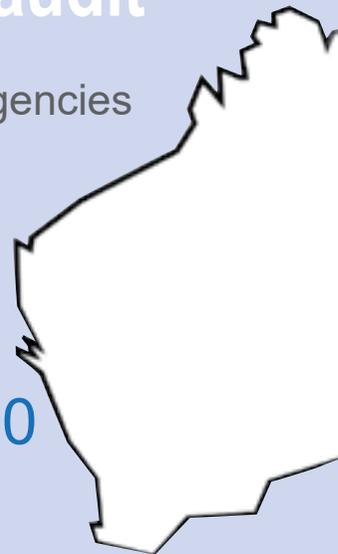
\$25.2 million budget

We audit

187 agencies

\$221 billion
in assets

Over 135,700
employees



Outcomes

26



reports

159



recommendations

51



ministerial
opinions

187

OPINIONS

on financial
statements

263

certifications of financial
and statistical information

Results

Overall client satisfaction

81% financial audit

71% performance audit



Positive change
to government activity
and practice



Average 65.5 days
to issue audit opinions

Highlights 2016-17

In our first year of the OAG Strategic Plan 2016-2020 we met **73% of our targets**. Actions, measures and targets of the plan have been reviewed and changes made to assist us with improving our performance. (page 14)

100% of financial audit opinions under the Financial Management Act were issued within 90 days of financial year end, delivering 58% of opinions earlier than last year and taking on average 65.5 days to issue. (page 48)

A record number of **ministerial notifications**, 51, were received. For the first time the Auditor General had to consider whether Cabinet-in-confidence was reasonable justification to withhold information from Parliament. (page 39)

We introduced a new **HR system** delivering value for money, good governance and compliance. (page 31)

96% of referrals and enquiries we received were responded to within our working day target, an improvement on last year. (page 44)

The **Joint Standing Committee on Audit** finalised its report reviewing the Office and Auditor General Act. The report includes recommendations to change the legislation in regard to our access to Cabinet documents and those subject to legal professional privilege. (page 4)

Significant issues 2017-18

If passed, the **Local Government Amendment (Auditing) Bill 2017** will make the Auditor General responsible for auditing local governments and regional councils, representing an 80% increase in entities we audit. Preparation is continuing to ensure a seamless transition if the Bill is proclaimed.

The **machinery of government changes** will result in substantial audit effort to evaluate the controls and data of the agencies and to conduct additional closing balance and new agency financial audits. In the past we have seen a number of 'teething' issues related to restructures and will take these potential issues into account.

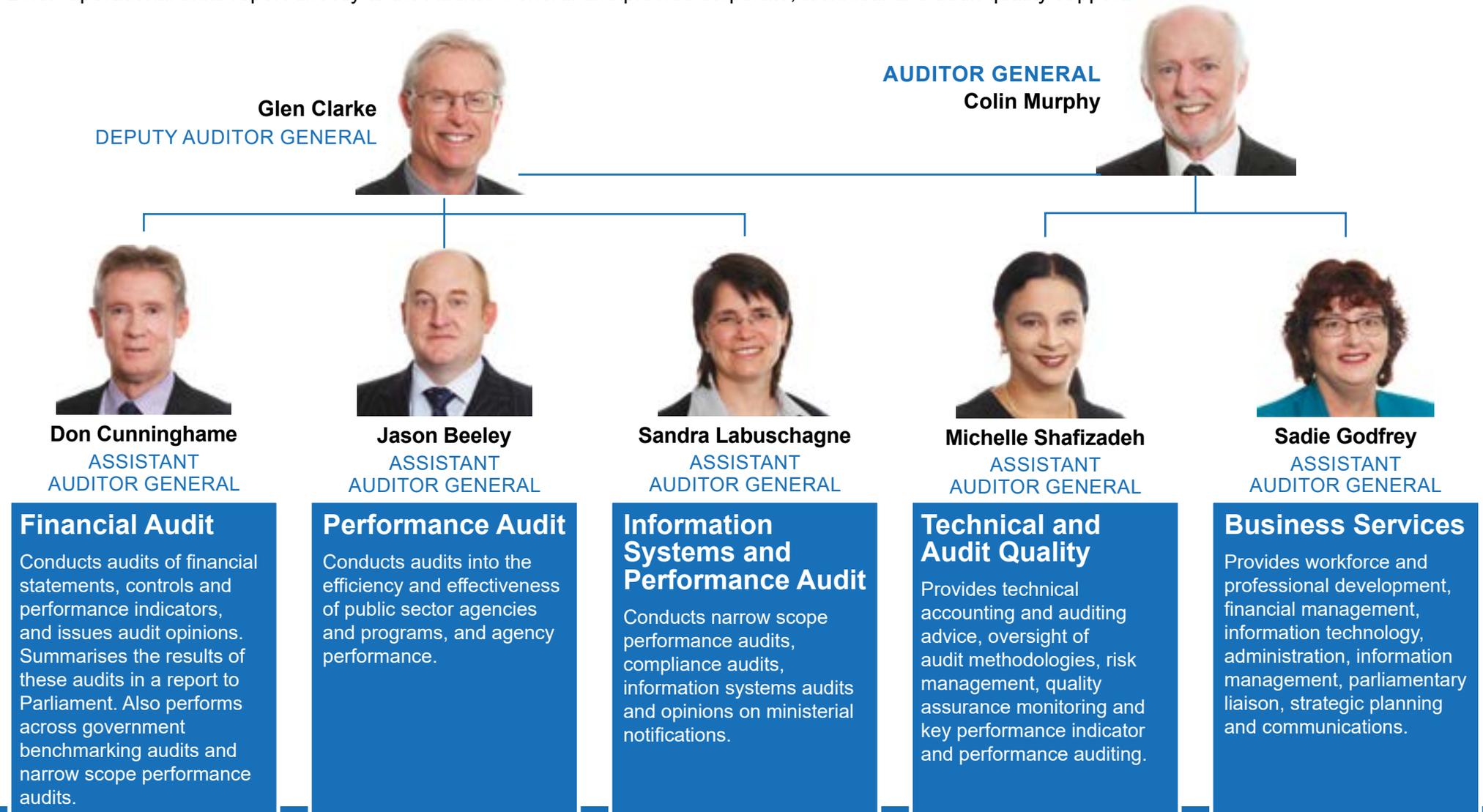
A lack of authority to access **legal professional privilege and cabinet documents** is impacting our audit program and has prevented the issuing of opinions. Parliament's Joint Standing Committee on Audit recognised this restriction and has recommended changes. We look forward to the introduction of the necessary legislative changes.

The timing of Parliament's **recess in September 2017** will make it difficult for some agencies to meet the requirement to table annual reports within 90 days of financial year end. To minimise the potential impact, we will work with agencies to issue opinions earlier.

Over the next 12 months there will be a **major change in our leadership**. For the previous 10 years we have been guided by Auditor General Colin Murphy and Deputy Auditor General Glen Clarke. During this year we expect both to leave the Office as Mr Murphy has completed his tenure and Mr Clarke is retiring.

Organisational structure

The OAG has 139 employees and comprises 3 operational and 2 non-operational business units. The operational business units report to the Deputy Auditor General and develop our key products, including the annual financial audits and performance audits that culminate in reports to Parliament. The 2 non-operational units report directly to the Auditor General and provide corporate, technical and audit quality support.



Senior officers

Auditor General Colin Murphy*

BCom, FCPA, FCA, FGIA, GAICD, PSM

Colin was appointed Auditor General for Western Australia in June 2007. He has extensive experience in finance and administration in state and Commonwealth government. He has held senior positions in the state departments of Justice, Treasury and Finance, Land Administration and the Building Management Authority. He has also worked for the Commonwealth Department of Finance in Perth and Washington DC, and as Business Manager for Murdoch University. Colin is a member of the Australian Auditing and Assurance Standards Board. He is a Fellow, former board member and past state president of CPA Australia and a Fellow of Chartered Accountants and Governance Institute of Australia. Colin was awarded the Public Service Medal in 2010 and the WA Institute of Public Administration Patrons Award for significant contribution to the state and public sector in 2013.

Glen Clarke

BBus, FCPA

As Deputy Auditor General, Glen is responsible for the 3 operational audit business units in which he has worked extensively. Glen undertook a secondment to the Commonwealth Department of Veterans' Affairs in a senior position and is currently the Deputy Chairman of Bizlink, a not-for-profit organisation that assists people with disabilities to obtain open employment.

Don Cunninghame

BCom, FCPA, CISA

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

Jason Beeley

BA Hons (Oxon), Dip Strategic Studies

Jason joined OAG in 2006, following 5 years as a commercial and general manager in the defence and technology sectors. Jason previously worked with the UK National Audit Office conducting and managing value for money studies, mainly of the Ministry of Defence. He was appointed Assistant Auditor General in 2009.

Sandra Labuschagne

BCompt, Hons BCompt CA (SA)

Sandra joined OAG in 2012 and became Assistant Auditor General in 2014. Sandra has extensive public and private sector auditing experience in South Africa, New Zealand and Australia.

Michelle Shafizadeh

BBus, FCA, FCPA, FAIM, FGIA, GAICD, MIPAA, Registered Company Auditor

Michelle joined OAG in 2010 and became Assistant Auditor General in 2011. Previously, Michelle was the National Assurance Services Technical Director for William Buck Chartered Accountants and before that, a Perth Assurance Services Partner for BDO Chartered Accountants.

Sadie Godfrey

MBA (Curtin), Assoc Dip Bus (Accounting)

Sadie has diverse and extensive experience in corporate management, working in the areas of education and industrial relations. Sadie was previously Director of Corporate Services at the Department of the Registrar, Western Australian Industrial Relations Commission before joining OAG as Assistant Auditor General in 2008.

* The Auditor General's 10 year term ended in June but has been extended until a new Auditor General is appointed.

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 agencies and activities subject to audit by the Auditor General. The following laws have a direct impact on our operations:

- *Auditor General Act 2006*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Workers' Compensation and Injury Management Act 1981*.

Performance management framework

The public sector work together to achieve the following high level goals and broader strategic outcomes of the Western Australian Government.

Government goal	Outcome
Results based service delivery	Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.
Financial and economic responsibility	Responsibly managing the state's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.
Social and environmental responsibility	Ensuring economic activity is managed in a socially and environmentally responsible manner for the long-term benefits of the state.
Stronger focus on the regions	Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.
State building – major projects	Building strategic infrastructure that will create jobs and underpin Western Australia's long-term economic development.

Table 1: Five State Government goals

Agency outcomes are linked to the 5 government goals and the services and activities agencies deliver contribute to achieving the government outcomes.

The role we play is the financial and performance audit of the efficiency and effectiveness of the services and activities of agencies. Through our audits we provide Parliament with independent and impartial information on public sector accountability and performance.

Our desired outcome and the service we provide reflects this:

Desired outcome against government goals	
An informed Parliament on public sector accountability and performance	
Service provided	
Public sector auditing	
Key effectiveness indicator	Key efficiency indicator
<p>The extent that OAG is effective in informing Parliament about public sector accountability and performance is measured by the number of tabled reports compared to target for each of the following categories of audit matter:</p> <ul style="list-style-type: none"> • service delivery • economic development • social and environment • governance. 	<p>OAG is responsible for undertaking the external audit of the Western Australian public sector. This is done through audits of controls, financial statements, performance indicators, efficiency, effectiveness and the tabling of reports to Parliament. Efficiency is measured by the:</p> <ul style="list-style-type: none"> • audit cost per million dollars of gross government expenditure • days taken to issue financial audit opinions.

Figure 2: Performance management framework

The relationship between OAG, government goals and the delivery of services by government agencies is demonstrated in Figure 3:

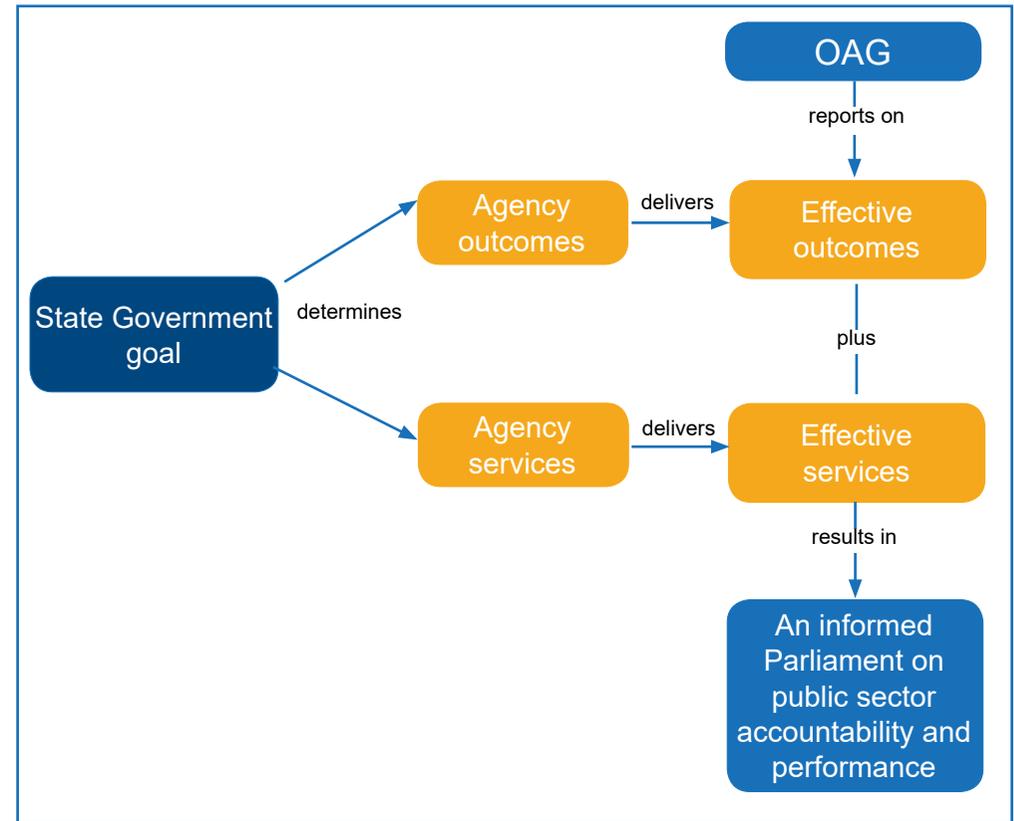


Figure 3: OAG relationship to 5 State Government goals

Our performance

Financial performance

Full details of our financial performance are presented in the financial statements section of this report. The following summarises financial performance actual versus target for 2016-17.

	2016-17 Actual \$'000	2016-17 Target \$'000	Variation \$'000	Status
Total cost of services	24,146	25,298	(1,152)	✓
Total income other than income from State Government	16,978	17,686	(708)	✗
Net cost of services	7,168	7,612	(444)	✓
Total equity	12,480	11,082	1,398	✓
Net increase/(decrease) in cash and cash equivalents held	206	(486)	692	✓
Number of approved full-time equivalent (FTE) staff level	135	135	–	–

Table 2: Key elements of our financial performance

The variation in the total cost of services and total income other than income from State Government are driven primarily as the result of actual activity being less than planned. The amalgamation of a number of agencies has resulted in cash being received earlier than anticipated, resulting in an increase in cash balances and the level of cash holdings increasing compared to the target.

Further explanations are contained in Note 26 Explanatory statement to the financial statements on page 90.

Key effectiveness performance

Our effectiveness indicator shows the extent to which we have informed Parliament about public sector accountability and performance, against 4 specified categories. Full details of the categories and our performance are available on page 101.

Report type	2016-17 Actual	2016-17 Target	Status
Service delivery	4	5	✗
Economic development	1	3	✗
Social and environment	1	3	✗
Governance	20	16	✓
Total	26	27	✗

Table 3: Our effectiveness indicator

As explained in greater detail on page 102, we set 3 year targets for each report type. The current target over 3 years encompasses 2015-16 to 2017-18. While we did not meet our targets for this year, we remain on track to meet our 3 year targets. During 2016-17, we reported on a number of Opinions on Ministerial Notifications that resulted in an increase in the number of governance reports tabled. The reallocation of audit resources to these reports resulted in a lower number of economic development and social and environment reports tabled.

Key efficiency performance

Our efficiency indicators measure the cost of our audits relative to government expenditure. Full details of our key efficiency indicators including 5-year trend data are available on page 102.

Efficiency indicator	2016-17 Actual \$'000	2016-17 Target \$'000	Status
Total audit cost per million dollars of gross government expenditure	449	483	✓
Attest (financial) audit cost per million dollars of gross government expenditure	328	338	✓
Performance audit cost per million dollars of gross government expenditure	121	145	✓
Average number of days taken after balance date to issue financial audit opinions	65.5	68	✓

Table 4: Our efficiency indicators

We achieved all our efficiency indicators due to a range of reasons including a 6% increase in gross government expenditure and our expenditure being lower than the budget estimate.

The performance audit cost per million dollars of gross government expenditure is significantly lower than the target. The target was based on a strategy of directing 30% of overall audit effort towards performance audits. The actual result was 27% due to fewer resources being available for performance audits.

The favourable variance between actual and target for the average number of days to issue financial opinions is due to agencies preparing financial statements and key performance indicators in a timelier manner and efficiency improvements in the audit process.

Additional indicator of our performance

Although not audited, we include this indicator because it is important in understanding our operational performance.

Parliamentary reports	2016-17 Actual	2016-17 Target	Status
Matters of significance to Parliament	209	n/a	–
Broad scope performance audits	3	9	✗
Narrow scope performance audits	16	11	✓
Across government benchmarking audits	5	3	✓
Annual financial audits	2	2	✓

Table 5: Parliamentary reports by audit type

While we aim to meet our report targets, we are also at times required to reallocate resources to other audits. During 2016-17, the reallocation of audit resources resulted in a lower number of broad scope performance audit reports tabled.

Our strategic direction

In February 2016, Executive Management Group (Executive) endorsed our Strategic Plan 2016-2020 confirming our vision, mission and values.

Our strategic plan rotates around 4 key areas of the business that we have identified as important to achieve our vision and mission.

Our People working with **Our Tools** with the right **Approach** will deliver **Our Products** which will fulfil our **Outcome**:

Work that makes a difference and helps to improve the public sector.

We have identified that we need our people to be motivated, innovative, collaborative, accountable, valued, skilled and knowledgeable.

Our tools are vital in supporting our people achieve our goals. We believe our tools need to be robust, efficient, user-friendly, flexible, agile, reliable and compliant.

Our approach needs to be consistent, fair and balanced, independent, transparent, pragmatic, professional and contemporary.

Together these 3 areas working at an optimum will ensure our products are recognised as value for money, timely, relevant, accurate, quality and innovative.

We have identified specific outcomes in each area to focus our efforts and attention on, which we believe will deliver the required result.



Figure 4: OAG Strategic Plan 2016-2020

We assess our performance against the Strategic Plan and report the results to Executive and staff. Overall, this year we achieved 73% of our Strategic Plan targets. In areas where we had not met our targets, Executive discussed ways to improve our performance. They also took the opportunity to review the actions, measures and targets of the plan to ensure they remain relevant and current so we can be confident that the areas of focus will deliver the required outcomes.

Changes included new measures to ensure we remain a workplace of choice, that our information systems provide what the business needs, and that we have the resources available to achieve our business goals.

An important aspect of our Strategic Plan has been to integrate other OAG documents. We have a range of internal plans and in the past they have operated and been reported on as standalone documents – our new approach to strategic planning brings all our plans together. This ensures that all areas of the business are working in the same direction to deliver common goals.

Figure 5 shows our achievement against the Strategic Plan measures overall and also in the 3 associated plans.

This annual report has been structured in line with the 4 key areas of our Strategic Plan and each section looks further into the specific outcomes, strategies and performance over the past 12 months. Our full Strategic Plan is outlined in Appendix 1.

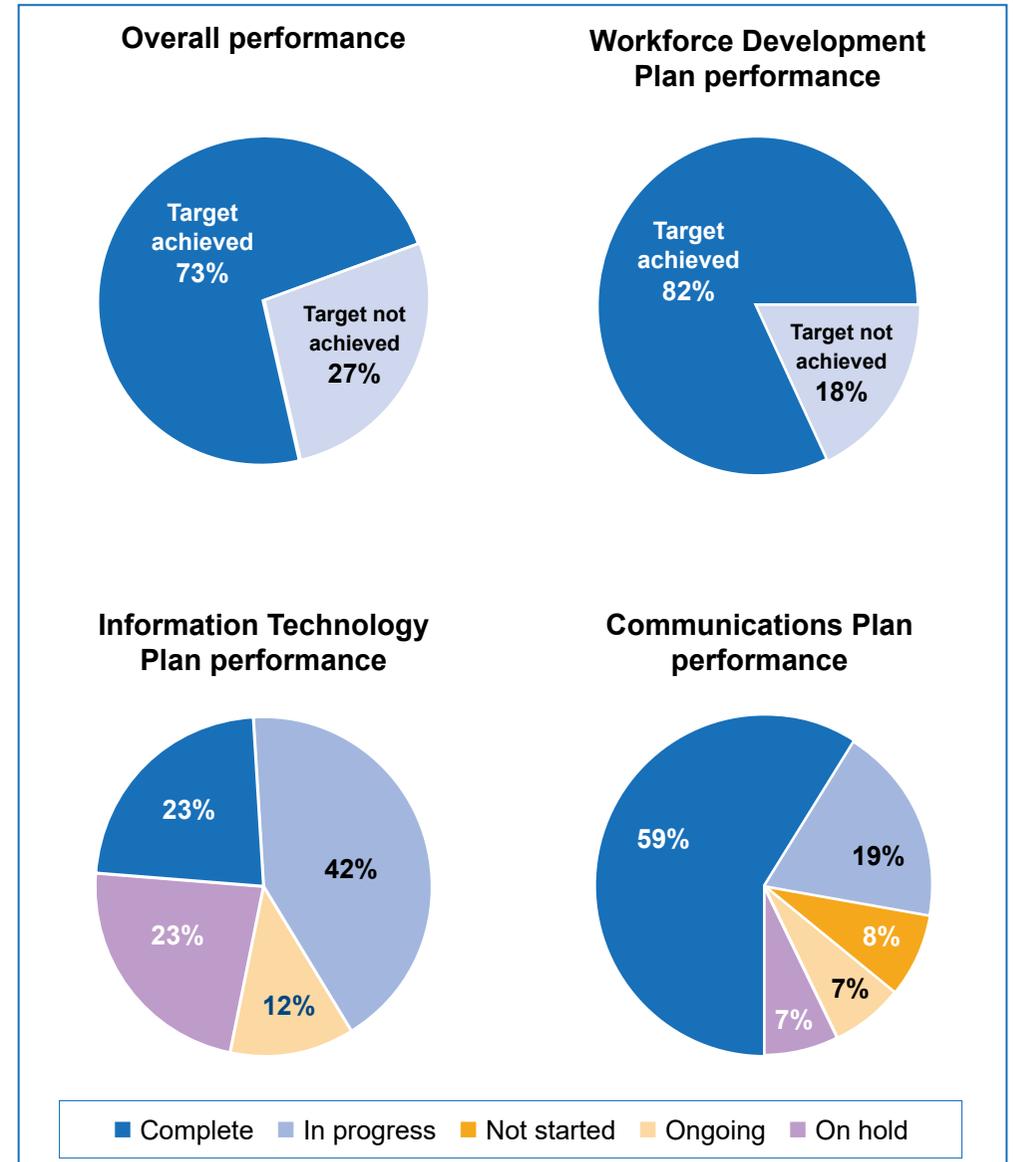


Figure 5: Strategic plan achievement against measures

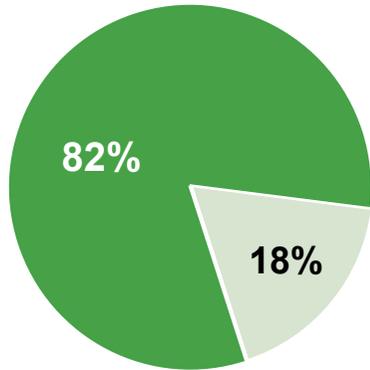
Our People – Motivated, Innovative, Collaborative, Accountable, Valued, Skilled, Knowledgeable

Outcomes	Strategies	Number of targets	Targets met	
			Yes	No
An appropriately skilled workforce capable of meeting current and future business needs	<ul style="list-style-type: none"> Maintain an environment where learning opportunities are readily available; employees actively pursue learning; and acquired learning can be applied Maintain a meaningful employee performance review process Ensure flexible, adaptive recruitment, contracting and employment arrangements to match work skills with demand 	4	3	1
High performing people who contribute to strategic objectives	<ul style="list-style-type: none"> Invest in organisational capability that will give the OAG a long-term benefit Empower staff to complete all of their responsibilities on an audit or business project Encourage innovation and acknowledge staff for being innovative in their approach 	3	2	1
A work environment that is recognised as a workplace of choice	<ul style="list-style-type: none"> Assist staff wishing to undertake relevant further studies Provide opportunities for professional growth within the OAG Provide national and international secondment opportunities Ensure a safe and healthy working environment 	4	4	0
Total		11	9	2

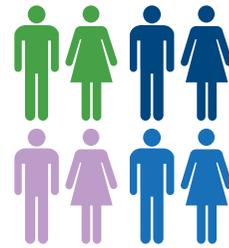
Our full Strategic Plan is in Appendix 1.

Our people

Overall performance – Our People



Target achieved	9
Target not achieved	2
Total	11



45.8% of our people are from culturally diverse backgrounds

6% of our people are aged 24 or under

50% of our people are Financial Audit employees



The skills, dedication and enthusiasm of our people enables us to efficiently and effectively deliver quality audit services to meet our mandate to Parliament, the public sector and the people of Western Australia. The importance we place on managing and developing our workforce demonstrates our commitment to providing a supportive environment and achieving the OAG's desired outcomes.

Meeting the challenge of an increasing audit program without growing our FTE is only possible through having the right people in the right positions. While the Auditor General has some discretion over management and resourcing, he is cognisant of the state's economic environment and associated fiscal challenges. Also that OAG is a public sector department, subject to the obligations and constraints of the *Public Sector Management Act 1994*.

Business Unit	2012-13	2013-14	2014-15	2015-16	2016-17
Auditor General	6.8	5.8	5.0	6.0	6.0
Financial Audit	60.4	65.2	66.3	64.88	68.48
Information Systems Performance Audit	12.9	13.4	16.1	16.66	16.60
Performance Audit	14.0	15.0	19.0	14.72	16.55
Technical and Audit Quality	9.9	5.8	5.8	4.8	4.0
Business Services	20.6	22.2	22.5	25.21	23.58
Total	124.6	127.4	134.7	132.27	135.21

Table 6: FTE at 30 June for last 5 years

We constantly review our retention strategies and other initiatives in our Workforce Development Plan to enhance our recruiting competitiveness and employee retention. Our attrition rate stabilised at 7.35% with only 10 employees leaving OAG in 2016-17: 2 resignations, 5 transfers to other public sector agencies and 3 retirements.

Learning and professional development

We are committed to the development of our people and have an extensive program that delivered in excess of 9,800 hours of in-house and external training. The OAG Professional Development Plan is a key component of our workforce planning and our Professional Development (PD) Committee includes representatives from each business unit. The annual program developed and delivered by the committee is designed to meet the needs of OAG and individuals.

Our Recognised Knowledge Partner Status with CPA Australia recognises our commitment to PD, training and performance management and as a result our CPA members receive a number of benefits. Most notable is the automatic continuing professional development recognition. Similar benefits to CA affiliate members are available due to our recognition by the Chartered Accountants Australia and New Zealand as a Recognised Training Employer.

Input for PD topics, training areas and improvement opportunities comes:

- as a result of legislative change
- via professional and technical standards boards
- through changes in our social, political and economic environment
- directly from our people
- as a result of development areas identified through the staff performance development and review program
- through employee evaluations of the relevance and quality of our PD program.

The whole-of-office component of PD days covers topics of general relevance and wide application; and targeted sessions reflecting specific employee group training needs are delivered across relevant business units.

The PD Committee arranges speakers to deliver other targeted sessions on specific topics and to provide specialist or technical guidance. Employees undertaking CPA Australia and Chartered Accountants Australia and New Zealand studies receive targeted study support.

Our regular PD program includes technical and non-technical learning and is the primary vehicle for whole-of-office training. We source specialist internal and external guest speakers to lead sessions. Our program is complemented and supplemented with a range of different training methods, including online courses and webcasts of national speakers.

We reinforce the importance of speaking and presentation skills by giving our people the opportunity to present on topics within their expertise and provide constructive feedback on their efforts. The direct results are increased employee confidence and improved in-house presentation skills and employee capabilities.

Specific training sessions presented in 2016-17 included:

- multiple graduate induction program sessions
- drawing proper conclusions
- final audit phase debriefs.

Plain English training continues to support our long-standing commitment to clear, concise report writing which is free from jargon. The sessions were targeted to relevant employee skill levels and included a half day introductory workshop, a 2 day 'Getting to the Point', a 1 day refresher and a 1 day proof-reading and editing workshop.

Performance development and review

We continue to review our staff performance development and review tool, and are preparing for its integration into the new HR system. Through training on effective performance management and review techniques, managers are increasingly aware that clear expectations are fundamental to meaningful and constructive performance reviews.

Graduate recruitment and support

We were pleased to welcome 6 financial audit graduates in January 2017. Our advertised recruitment program attracted 89 applicants, with 34 shortlisted for interview.

Our intensive 5-week induction and training program provides a strong foundation from the very beginning of our graduates' time with us and includes:

- introduction to OAG and the broader public sector
- professional behavioural and customer service standards
- practical auditing
- legal compliance requirements
- a 3-week practicum.

The 3-year training program that follows supports our graduates through their key technical development period and their professional studies.

Secondments

The cost-effective, efficient practice of employees seconded out of OAG to other agencies broadens their experience, improves expertise and increases skill sets. Likewise, those employees seconded in from other agencies provide benefits through different perspectives, ideas and suggestions. Additionally, they carry acquired skills and knowledge back to their home agencies.

Our unique inter-jurisdictional and international relationships with other audit offices in Australia and around the world allows us to offer outstanding secondment opportunities for interested employees. We are currently coordinating an exchange to the British Columbia Audit Office to begin in November 2017. We also have 1 employee undertaking a secondment with the Victorian Auditor-General's Office and are negotiating a second to commence in 2018.

These placements are mutually beneficial, offering a way to share audit knowledge and expertise throughout and beyond the Australasian Council of Auditors-General (ACAG) community.

Placements	2012-13	2013-14	2014-15	2015-16	2016-17
Into OAG	8	6	3	4	5
Out of OAG	15	11	9	11	7

Table 7: Secondments in and out of OAG for last 5 years

University liaison program

Targeted sponsorship of business school awards and scholarships at Edith Cowan University (ECU), Murdoch University, Notre Dame and the University of WA acknowledges the value of our strategic relationships with the universities. The Auditor General also has regular involvement at student events speaking about the importance of public sector audit.

We further enhance our relationships with the universities through unpaid student placements, which help promote us as a potential employer, as well as rewarding participants with credits in their units of study.

A unique placement opportunity in our Information Systems Audit branch, where they receive high-end exposure to complex IT environments, delivers mutual benefit to ECU students. Students develop and enhance software; draft management letters; and analyse and track systems with extranet facilities.

Equity and diversity

A significant percentage of our employees come from culturally and linguistically diverse and non-English speaking backgrounds. This provides opportunities as well as unique challenges, especially in the area of communication skills.

We provide a range of tools to assist with communications including speech therapy and introductory plain English workshops, which are stepping-stones for more advanced training.

We also provide easy access to online tools such as the Macquarie Dictionary, which includes an English pronunciation tool, via our intranet.

Our regular workplace behaviour and equal employment opportunity training is delivered to our graduates and new employees as part of their induction program, presenting and clarifying behavioural expectations. This year we also presented an in-house program specifically on bullying, a topic that is attracting a lot of attention across the public sector.

Equity and diversity	2012-13	2013-14	2014-15	2015-16	2016-17
Women	58.0	56.0	59.0	55.15	62.41
Aboriginal	0.0	0.0	0.0	0.0	0.0
People from culturally diverse backgrounds	25.0	34.0	34.0	33.83	45.86
People with disabilities	2.9	1.3	0.74	0.74	0.0
Youth (24 and under)	11.7	6.8	6.0	5.89	6.02

Table 8: Each diversity group as a percentage of our workforce

Code of Conduct

Annually all employees acknowledge their understanding of and commitment to our Code of Conduct, and their compliance with legislation, internal policies and professional standards of conduct. This formalises and acknowledges our commitment to the highest standards of corporate governance.

The Code of Conduct specifies appropriate standards of employee behaviour, with direct relevance to OAG's unique role and responsibilities. A signed declaration acknowledges the employee's personal and professional obligations of working with OAG and their continuing compliance with the code's requirements.

Grievance resolution

The availability of support resources is promoted by the publication of names and contact details of employees trained in grievance resolution on the intranet and on posters around the office. Additionally, all of our Human Resources team are trained in grievance resolution.

Public Sector Commission review

This year we were pleased to participate in the Public Sector Commission's evaluation of arrangements into managing bullying.

We are committed to this aspect of workforce management and corporate governance. Our processes, policies and other supporting documents have been provided for assessment and a number of our people have been interviewed. We expect that our commitment will be reflected in the results of the evaluation and look forward to any suggestions for further improvement.

Occupational safety and health

The Audit and Risk Management Committee (ARMC), which reports to the Executive, monitors trends, maintaining awareness of serious issues and being satisfied that risk management is timely and appropriate.

Business Services has day-to-day responsibility to ensure that the workplace, facilities, equipment and systems do not expose employees to hazard.

All new employees receive information and instruction on their obligations and responsibilities under our occupational safety and health (OSH) and injury management policies as part of the induction process. All documents are readily available on our intranet, including:

- Occupational Safety and Health Policy
- Management of Ill or Injured Workers Policy
- Working from Home Policy
- Reasonable and Flexible Working Hours Policy
- workers compensation guides
- injury management and return to work program
- incident and accident report forms.

We deliver training to ensure an acceptable, measurable level of OSH awareness by registering all employees for online OSH and injury management training. There are 2 different levels of training – non-supervisory employees, and supervisors and managers. Through monitoring and reporting to Executive on training completion rates we can identify areas for further training. This year we specifically addressed mental health.

Our performance in 2016-17 on occupational safety, health and injury management is reported on page 108.

Wellness Committee

Our Wellness Committee promotes healthy activities and general wellbeing. This year the committee organised a number of wellness initiatives including:

- Well at Work e-magazine
- mental health in the workplace
- bullying
- diabetes – hypoglycaemia management in the workplace
- blood donations.

Employee suggestions and ideas

Through our online suggestion box employees can ask any question or make a suggestion. Responses are coordinated and posted on the suggestion board for employees to view. We also have an online idea box, known as the innovation wiki that employees can use to share and build on others' innovation ideas.

Employee assistance program

The services offered through our employee assistance program includes independent counselling, advice and support to employees and their immediate families. We report program uptake to Executive annually. Through this de-identified reporting, support area trends are identified and analysed with remedial actions such as awareness raising, health and wellbeing promotion and training considered.

Office forums

We have a mobile workforce with audit staff working away from our office. To bring staff together we conduct 4 forums a year to:

- inform employees of current or emerging issues
- share relevant performance information such as how we are performing against our strategic targets, as well as areas where additional effort may be required
- acknowledge the achievements of the different business units
- share relevant employee matters including employee movements, transfers and new appointments, as well as personal news relating to engagements, weddings and babies
- hear from employees, especially those returning from secondments, to share lessons learned.

At the first forum of the year, our financial audit graduates from the previous year present on their experience as an OAG graduate. The results are often humorous and always insightful. In the final forum of the year, we invite a guest speaker to provide an inspirational, motivational or light-hearted end-of-year session.

Doing our bit for charity

We have long participated in fundraising activities and take pride in doing our bit for charity. We hold various activities throughout the year and we choose a main fundraiser each year, which this year was Diabetes WA.

Social club

The Social Club held its Annual General Meeting in March and kicked off the year with a Welcome to our 2017 Graduates Sundowner. Key events during the year included an autumn breakfast, end of financial year lunch, sundowners and Christmas lunch.

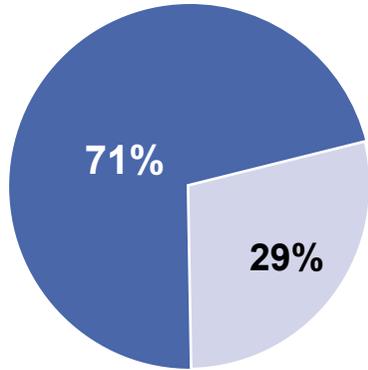
Our Tools – Robust, Efficient, User-Friendly, Flexible, Agile, Reliant, Compliant

Outcomes	Strategies	Number of targets	Targets met		
			Yes	No	
Efficient, effective and responsive business operations that meet current and emerging needs	<ul style="list-style-type: none"> • Work within a framework and governance structure which is current and effective • Respond effectively to changes in our environment by maintaining a strategic focus • Maintain an appropriate and effective approach to risk management • Ensure accurate and reliable technical advice is available 	5	4	1	
Sound information systems that support operational needs	<ul style="list-style-type: none"> • Ensure IT systems are efficient, effective and supported • Capitalise where possible on our existing systems to improve our business operations • Have an approach to IT that recognises and addresses operational and strategic business requirements • Continuously improve internal and external accessibility and useability of our tools 	3	2	1	
Sound financial management of our business	<ul style="list-style-type: none"> • Maintain a strong, sound and transparent financial management approach • Use accurate business data that informs management decision-making • Continuously improve our processes to ensure quality and compliance of internal financial management practices 	3	2	1	
Audit methodology tools are current, reliable and compliant	<ul style="list-style-type: none"> • Ensure our methodology remains current and compliant 	3	2	1	
		Total	14	10	4

Our full Strategic Plan is in Appendix 1

Our tools

Overall performance – Our Tools



Target achieved	10
Target not achieved	4
Total	14

We are committed to good governance
(page 26)



60

policies reviewed by due date and published
on intranet (page 28)

Completed rollout of new laptops for all staff
(page 30)



Introduced new human resources system
(page 31)



Governance

The OAG is committed to achieving and demonstrating good governance. In monitoring and assessing our own performance, we have found the 9 key governance principles of the Public Sector Commission's Good Governance Guide a valuable tool for assisting us to achieve a high standard of organisational performance.

Governance principle	Our commitment
1. Government and public sector relationship – <i>The organisation's relationship with the government is clear.</i>	We have processes in place to ensure clear communication and interaction between us and members of Parliament and state government agencies.
2. Management and oversight – <i>The organisation's management and oversight is accountable and has clearly defined responsibilities.</i>	Our Strategic Plan clearly defines our vision and the strategies we will undertake to achieve our outcomes.
3. Organisational structure – <i>The organisation's structure serves its operations.</i>	The leader of each business unit is a member of Executive, which is responsible for ensuring we achieve the outcomes articulated in our Strategic Plan. A number of committees support Executive.
4. Operations – <i>The organisation plans its operations to achieve its goals.</i>	Each business unit has an operational plan that identifies its work program and progress towards initiatives. These plans are key supporting documents for our Strategic Plan and reported on at Executive strategic planning meetings.
5. Ethics and integrity – <i>Ethics and integrity are embedded in the organisation's values and operations.</i>	Ethical behaviour and integrity are core values that underpin our work. Our Code of Conduct defines the high standards we require from our employees.
6: People – <i>The organisation's leadership in people management contributes to individual and organisational achievements.</i>	Workforce planning is a high priority and includes policies and strategies to enable the attraction, retention and management of people as well as development and growth.
7. Finance – <i>The organisation safeguards financial integrity and accountability.</i>	Our finance policies and processes are consistent with accounting standards and we have formal structures to monitor actual versus budget. Financial performance is reported to Executive monthly.
8. Communication – <i>The organisation communicates with all parties in a way that is accessible, open and responsive.</i>	We disseminate information efficiently and effectively following policies and guidelines to ensure our stakeholders are well informed, via the correct channels in a timely manner.
9. Risk management – <i>The organisation identifies and manages its risks.</i>	A comprehensive Risk Management Framework forms an integral part of our Strategic Plan. The framework outlines the policies and processes relating to the management of risk and preventative measures to ensure our risk is within acceptable levels.

Table 9: Good Governance Guide references

Key governance arrangements

Executive Management Group

Our Executive is our team of senior management who plan, manage and lead our business. They set the strategic direction and organisational values that define the activities of OAG. Chaired by the Auditor General, they meet monthly and hold informal weekly meetings.

Executive holds strategic planning meetings twice a year to discuss strategic and tactical matters. They monitor the implementation of our strategies and measure performance against targets.

A number of committees provide them with operational and administrative support. The committees have a multiple role of governance, inter-office engagement and employee development.

Audit and Risk Management Committee

Our Audit and Risk Management Committee (ARMC) meets regularly to improve the effectiveness of internal audit, external audit and risk management. David Gilchrist, Professor of Accounting, University of Western Australia, is the committee's independent chair. The key responsibilities of the committee are to:

- monitor the oversight of the Risk Management Framework
- coordinate our internal audit and external audit program
- monitor the effectiveness of the internal control system and that it is reliable, complies with legislation and reduces the risk of fraud and error
- oversee and manage our actions to address quality assurance findings
- monitor the financial and KPI reporting process
- oversee our Business Continuity Management Program and treatment action plans.

Information and Communication Technology Committee

Our Information and Communication Technology (ICT) Committee, meets regularly to discuss ICT projects, activities, opportunities and risks. The focus areas of the committee include:

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

Audit methodology user groups

We have audit methodology user groups for a range of functions including performance audit, key performance indicator audit and financial audit. The groups facilitate user feedback regarding audit methodologies to ensure they are appropriate to the needs of our organisational and operating environment. Also that they are aligned to the relevant Auditing and Assurance Standards and are effectively and efficiently used within the office. The groups meet approximately 2 times per year.

All new and revised Auditing and Assurance Standards are evaluated by the Technical and Audit Quality (TAQ) business unit for their impact on existing audit methodologies. TAQ makes recommendations to the user groups on the changes necessary to ensure that the audit methodologies comply with the standards.

During the year there were changes to the financial audit methodology to reflect new and amended standards relating to:

- enhancements to auditor's reports on financial statements, including the communication of key audit matters for selected entities
- the auditor's responsibilities relating to other information contained in annual reports
- a greater auditor focus on disclosures in the notes to the financial statements
- assurance engagements on controls.

Other committees

Several other committees provide focused advice and support to Executive, including the:

- Office Consultative Committee
- Professional Development Committee.

Policy framework

OAG policies support and promote efficient and effective office administration by providing sound and consistent operational rules and procedures containing administrative and other compliance requirements. They are designed to answer the most frequently asked questions on audit, administrative, accounting and personnel matters.

We formally review our policies every 2 years undertaking an evaluation and assessment based on feedback from staff, and changes to legislation or other external environments.

This year we reviewed 60 policies. Sixteen were rescinded and 44 were updated and approved by Executive. Staff are informed of policy changes by email, on the intranet and at staff professional development days.

Risk Management Framework

We consider risk management to be a fundamental component of our work. Our comprehensive Risk Management Framework forms an integral part of the strategic planning processes.

The purpose of the framework is to:

- provide an overview of the risk management processes adopted by the OAG
- define the key attributes and objectives for the OAG's risk culture
- describe roles and responsibilities for managing risk
- outline the process for reporting on risk and ongoing monitoring and review.

The framework is complemented by the OAG Risk Register and business unit risk registers that identify and assess relevant strategic and operational risks.

The OAG Risk Register is supported by the OAG Fraud and Corruption Control Plan and OAG Business Continuity Management Program, which address particular types of risks within specific areas of the OAG's operational activities.

The ARMC proactively manages the risks facing OAG. An important component of this is setting and managing our annual internal audit program and overseeing the external audit process.

Technical advice

Auditing, accounting and financial reporting knowledge and skills are fundamental to audit quality and performing efficient and effective audits. Our audit professionals are supported by TAQ which provides advice on auditing and financial reporting matters.

A Technical Determination Committee comprising senior staff from the Financial Audit business unit and TAQ is convened to provide advice on complex and contentious technical matters, to resolve differences of opinion about such matters, and to review all proposed modifications to auditor's reports. This committee may seek advice from external sources where necessary.

Efficiency and Effectiveness Plan

We strive to be efficient and effective in all areas of our business. Annually, we prepare an Efficiency and Effectiveness Plan aligned with our Strategic Plan. This plan includes a number of projects designed to identify ways in which we can operate more efficiently within our current resourcing and budget. We see how other jurisdictions and the private sector perform their role and how we may benefit from their experiences.

Examples of the 2017 projects include:

- formally consider the audit practices of contract audit firms to identify practices we can consider
- use of an ACAG financial audit capability framework as a guide for management and staff
- formally consider feedback from secondees on their return to identify improvement opportunities.

Information systems

Our Information and Communication Technology Strategic Plan provides high level plans to meet strategic priorities directly aligned with the Strategic Plan.

The objectives and initiatives of the plan will allow us to deliver as a priority:

- increased responsiveness and flexibility in meeting business requirements
- better governance around ICT service delivery and project management
- increased integration of current business information systems
- innovation tied to leveraging potential from our current suite of business information systems infrastructure
- improved security and integrity of information.

Specific projects undertaken over the last 12 months include:

- **Development of a reporting management system to replace our current aging system**
 - More efficient, user friendly and relevant reports will be readily available from the new system.
 - This project is still underway although very close to being finalised. We are looking forward to launching the new tool early in the new financial year.
- **Implementation of cloud-based secure email gateway for enhanced email and spam filtering**
 - This new gateway has delivered a number of improvements to the way incoming emails are managed including timelier delivery of emails to recipients.

- **Laptop replacement project**

- This year we replaced all user laptops and, for the first time, delivered a selection of different models specifically tailored to the operational needs of each different business unit.

- **Replacement of our tape-based backup system with a cloud-based backup system**

- This project has reduced our reliance on expensive equipment that was nearing the end of its useful life. Capital savings will be delivered by eliminating the need to replace this hardware as we move towards cloud methodology.

- **Upgrade of firewall capabilities to maintain strong network security stance**

- Security over our network and data is paramount and ensuring our firewall capabilities are maintained assists us to mitigate this risk.

Our ongoing work plan continues with the further development of SharePoint as a performance audit methodology tool and the enhancement of the OAG Portal (our online document portal for the electronic delivery of documents to clients). This year was the first time we used the portal to deliver opinions to all our financial audit clients and ministerial offices.

Three audits have been undertaken in our IT area this year, including an information security assessment. All audits identified areas where improvements can be made and we are confident these will be addressed early in the new financial year.

Financial management

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.

Our focus is on providing Executive and staff with accurate business data on which key decisions can be based, and monitoring and reporting our performance on a monthly basis. In addition, budget forecasting and meeting long-term resourcing requirements remains key discussion aspects at each Executive strategic planning meeting.

At an operational level we are committed to ensuring quality and compliance of all our practices and a way we assess this is through the across government benchmarking audits (AGBAs) undertaken by our financial auditors. AGBAs focus on common business practices and provide information about areas of better practice as well as potential problem areas. We apply the lines of inquiry to our own business and report the results to Executive.

This year we conducted internal assessments against the following AGBAs:

- **Financial and Performance Information in Annual Reports**

This audit assessed whether agency information relating to the financial statements, KPIs and financial estimates was reported accurately and consistently throughout the annual report.

A thorough comparison was undertaken of our 2015-16 annual report against the audited financial statements and KPIs and no errors were found. The financial estimates had been reported accurately and consistently throughout the report.

However, the review identified an incorrect figure had been entered into the commentary section although the impact was immaterial. This highlighted the importance of quality assurance and review prior to going to print.

- **Timely Payment of Suppliers**

This audit assessed whether agencies were paying suppliers on a timely basis in accordance with the requirements and principles of the Treasurer's Instructions.

Our assessment confirmed that we had procedures and controls in place for ensuring payments were being made on a timely basis, including a process for monitoring and identifying invoices close to exceeding the 30 day requirement.

Our full audited financial statements and KPIs are provided in this report from page 62.

Key milestone – introduction of new HR system

In 2015-16 we commenced development of a new people and practice management system including the replacement of our payroll system.

The decision was taken to move to the new system following an extensive and detailed procurement process with the support of the Department of Finance.

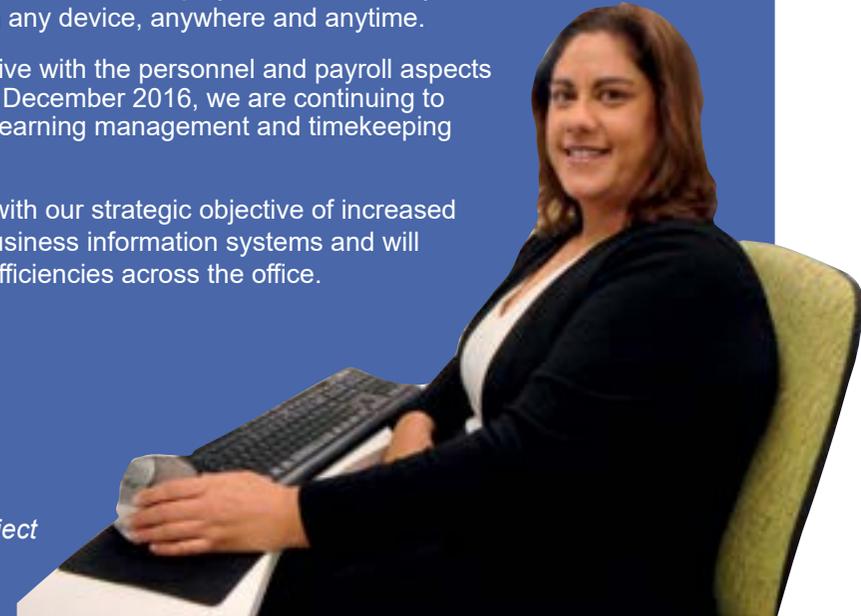
This year has seen the implementation of the new system, which has been an extensive task involving data cleansing, data transfer, change management and staff training.

The new system delivers value for money, good governance through system controls and is compliant with internal financial management practices. A significant improvement has been the ability to take advantage of emerging technologies and deliver an employee self-service system that is accessible on any device, anywhere and anytime.

While we went live with the personnel and payroll aspects of the project in December 2016, we are continuing to integrate other learning management and timekeeping tools.

This is aligned with our strategic objective of increased integration of business information systems and will deliver further efficiencies across the office.

Carolyn Anti, project manager of the new HR system



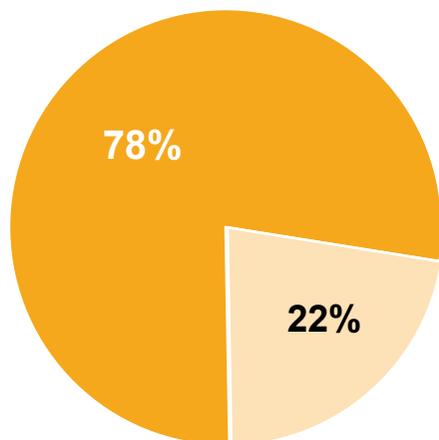
Our Approach – Consistent, Fair and Balanced, Independent, Transparent, Pragmatic, Professional, Contemporary

Outcomes	Strategies	Number of targets	Targets met	
			Yes	No
Audits completed in accordance with auditing and professional standards	<ul style="list-style-type: none"> Maintain a contemporary and quality audit approach All reports to go through the OAG quality framework 	1	1	0
Relationships with audit clients professionally managed	<ul style="list-style-type: none"> Communicate, consult and develop quality relationships with clients 	2	1	1
Our reputation for independence, integrity and impartiality is maintained	<ul style="list-style-type: none"> Further enhance transparency and accountability of our topic selection process and outcomes Continuously reinforce to staff OAG principles of independence, integrity and impartiality Maintain an awareness of the external perception of OAG 	3	2	1
A well informed Parliament and public	<ul style="list-style-type: none"> Set clear expectations and communicate our role and purpose to Parliament, agencies and the community Identify and implement strategies to address Parliament's needs and expectations Prepare for performance and legislative reviews 	3	3	0
Total		9	7	2

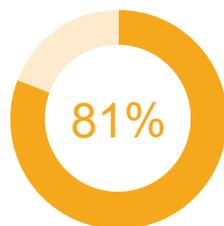
Our full Strategic Plan is in Appendix 1

Our approach

Overall performance – Our Approach



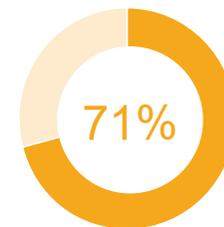
Target achieved	7
Target not achieved	2
Total	9



81% our overall rating from financial audit clients (page 34)



71% our overall rating from performance audit clients (page 36)



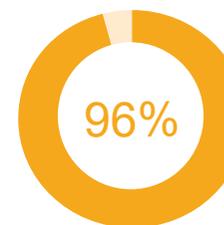
received



opinions on ministerial notifications (page 39)



96% of referrals and enquiries responded to within target (page 44)



Financial auditing

Financial auditing provides independent assurance to Parliament that the financial statements of agencies are presented in accordance with Treasurer's Instructions, Australian Accounting Standards and other mandatory professional reporting requirements and:

- are based on proper accounts
- present fairly the operating results and cash flows for the period under review
- show the financial position at the end of the financial reporting period.

The audit of most agencies also includes assurance that controls exercised by the agency are sufficient to provide reasonable assurance that the receipt, expenditure, and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions.

Agencies that operate under the *Financial Management Act 2006* (the majority of public sector agencies) receive 3 opinions from the Auditor General:

- an opinion on the financial statements of the agency
- an opinion regarding the controls in the agency
- an opinion on the key performance indicators (KPIs) of the agency and whether they are fairly presented, relevant and appropriate.

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

Agencies operating under other legislation receive an opinion on their financial statements.

You will find an overview of the financial auditing work undertaken this year on page 48. Appendix 2 is a complete list of agencies subject to financial audit.

Our Financial Audit team also conduct AGBAs that focus on common business practices across the state government sector and provide agencies with information about areas of better practice as well as potential deficiencies and pitfalls.

Financial audit client surveys

Feedback from clients is an important source of information for us as it highlights areas where improvements are required. All clients who receive an audit opinion have the opportunity to participate in the annual financial audit client survey. The survey gauges how we are performing in the areas of audit process, audit reporting, audit value and overall performance.

A total of 121 out of 149 financial audit clients responded to our survey this year, a response rate of 81% which is the same as last year. The results were positive overall, as reflected in the high overall index of 81.3%. The results were particularly positive in relation to the value of the assurance clients obtain from the audit of their statutory financial statements (97%).

Other areas where we have improved our performance include our staff being responsive to client needs and audit opinions issued in timely manner.

The survey results also highlight areas where we can focus improvement: audit program undertaken in a timely manner and communicating audit findings and issues in management letters.



I would like to thank the audit team for their professional approach and high customer service

Financial Audit client survey

Focus area	Indicator	% Agree				
		2012-13	2013-14	2014-15	2015-16	2016-17
Audit process	The Office's audit program was undertaken in a timely manner	80	88	91	87	84
	Audit staff were responsive to our needs	87	91	95	87	88
Audit reporting	The Auditor General's audit opinion was issued in a timely manner	95	95	95	91	94
	The management letters clearly communicated the audit findings and issues	91	92	94	94	90
Audit value	We value the assurance we obtain from the audit of our statutory financial statements	91	99	95	96	97
	We value the Office's recommendations to improve the financial management and internal controls of our organisation	88	95	95	96	91

Table 10: Financial audit survey results of key questions in 3 areas of focus

Performance auditing

We undertake performance audits to assess the efficiency and effectiveness of agency activities, services and programs. These audits can also identify instances of waste, legislative non-compliance, examples of good practice and make practical recommendations for improvement. We conduct performance audits under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing Standards.

We conduct 2 types of performance audits:

- broad scope performance audits, which focus on the effectiveness and efficiency of larger programs, projects and services
- narrow scope performance audits, which have a tighter focus and may assess internal agency controls, compliance with legislation, policy and good practice, and information systems.

We also conduct follow-up audits to assess actions taken by agencies in response to our recommendations and changes and improvements that result.

From page 50 you will find summary information on our reports tabled in 2016-17.

Performance audit client survey

Shortly after we table a performance report in Parliament, the agencies involved in that report are invited to complete a client survey. Like our financial audit client surveys, the surveys of our performance audit clients focus on our audit process, reporting, value and our overall performance. The nature of audit work includes close scrutiny and possible criticism of agency performance, and we understand that this can influence the responses to the survey. Nevertheless, the surveys provide a valuable way for us to identify areas for improvement.

The survey response rate this year was 93%, with 41 of the 44 clients invited to participate providing a response. This is consistent with the response rate for last year. Overall, the 2016-17 results were positive and generally consistent with last years.

We use the results to inform where additional effort or training is required as part of our continuous improvement. It is pleasing to note this has resulted in more positive results in regard to:

- communication with the client
- professionalism of our auditors
- helping the client improve their performance.

The results also help us identify areas where more effort is required such as in understanding the client organisation and its operating environment.

Focus area	Indicator	% Agree				
		2012-13	2013-14	2014-15	2015-16	2016-17
Audit process	The auditors communicated with us effectively	80	88	78	81	85
	We were promptly informed of significant issues/findings as they arose during the audit	77	79	80	73	73
	The auditors adequately understood our organisation, including our operating environment	51	70	45	58	44
	The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit	75	89	75	78	80
	The auditors conducted themselves professionally during the audit	90	92	88	93	93
	We were provided with adequate opportunities to comment on the audit findings and issues before the final report was tabled in Parliament	80	92	83	81	78
Audit reporting	The tabled audit report communicated the audit findings and issues clearly	77	88	83	85	83
	The tabled audit report was factually accurate	72	90	78	81	71
	The tabled audit report was balanced and fair	77	81	65	73	71
Audit value	The audit will help us improve the performance of the audited activity	72	60	76	74	75

Table 11: Performance audit survey results of key questions in 3 areas of focus

Aggregate performance index scores

For performance and financial audits, the survey analysis includes the calculation of aggregate performance indices across the 4 focus areas of audit process, audit reporting, audit value and our overall performance.

The aggregate index for an area is the average of the individual question indices for survey questions across that specific area. The index for a question is the average response for each question across all respondents.

The financial audit client survey results were favourable overall in 2016-17, with results remaining consistent with those achieved in 2015-16. The performance audit client survey saw an improvement in audit value, however the decreases from 2015-16 highlight the need for us to maintain our focus on continuous improvement activities.

Financial audit						
Focus area		2012-13	2013-14	2014-15	2015-16	2016-17
Audit process		77.3	77.8	79.8	78.9	80.1
Audit reporting		80.4	81.7	82.1	81.8	81.3
Audit value	Financial statements	78.8	85.1	87.4	86.5	86.2
	Performance indicator	73.7	78.9	81.5	81.4	81.5
	Information systems	77.9	76.1	75.4	78.4	77.3
Overall performance		77.6	79.9	81.2	81.4	81.3

Table 12: Financial audit – aggregate performance indices

Performance audit						
Focus area		2012-13	2013-14	2014-15	2015-16	2016-17
Audit process		69.8	78.2	68.9	76.0	70.4
Audit reporting		68.8	78.0	73.3	74.8	71.8
Audit value		68.8	65.6	70.1	70.4	73.1
Overall performance		69.2	73.9	70.8	73.7	71.8

Table 13: Performance audit – aggregate performance indices

Performance audit topic selection

Deciding what to audit is a key part of the Auditor General’s independence and is not subject to direction from Parliament or government. We have to exercise this independence responsibly, so we have processes in place to make sure our selection of topics is objective, robust and transparent.

Topic ideas are drawn from a range of sources including members of Parliament, parliamentary committees, agencies, the community and staff.

We assess and review potential topics against our criteria and KPIs. We seek to select a program that is balanced in its coverage, contains topics that matter to Parliament and the community, and that reflects how and where the state is spending taxpayer’s money.

Once established, we discuss our forward work program with PAC and EFOC. Once an audit has begun, we make its objective, focus and timeframes public on our website at www.audit.wa.gov.au/work-in-progress.



Figure 6: Our topic selection framework

Opinions on ministerial notifications

Under the Financial Management and Auditor Generals Acts, the Auditor General is required to express an opinion as to whether it is reasonable and appropriate for a Minister not to provide information to Parliament. There are a significant number of ministerial notifications referred to the office, this year we received 51. While we manage our resources to accommodate this work, it is difficult to anticipate when and how many of these notifications will come to us and the scale of the work involved in the inquiries. This can affect our resourcing and delivery of other audit work.

Summaries of the ministerial notifications we tabled in Parliament in 2016-17 are available from page 50.

	2012-13	2013-14	2014-15	2015-16	2016-17
Number of ministerial notifications received	0	7	14	10	51

Table 14: Ministerial notifications received in last 5 years

Quality framework

Quality is fundamentally important to everything we do. We have a framework that establishes and maintains quality over the audit work we perform. We have instilled this framework throughout our people, sending a strong message that audit quality is more than meeting professional standards.

Our framework includes a Quality Assurance Plan, which Executive approves on an annual basis. Our TAQ business unit is responsible for facilitating the plan and for reporting results to Executive, which oversees implementation of accepted recommendations.

We link this plan to our Strategic Plan and it plays a vital role in terms of internal control, risk management, corporate governance and compliance monitoring.

Our ongoing quality assurance activities include:

Inspection of engagement files – to ensure a quality audit is performed and continuous improvement opportunities and good practice are identified and shared.

Review of audit methodologies – to ensure that they continue to comply with the auditing standards.

Review of audit files of contract audit firms – to ensure the quality of contract audit firms who perform audit work on our behalf.

Review of published information of contract audit firms – to ensure we know the results of public information including quality assurance reviews performed by regulatory bodies and membership organisations.

Liaison with contract audit firms – to seek information about the firms on aspects of their business that may be topical or may represent a particular risk for the current year.

Engagement quality control reviews – to evaluate and report on the implementation of the engagement quality control process.

Independence – to evaluate and report on the implementation of the Conflict of Interest Policy.

External peer review program – to get an independent opinion as to the quality of the audits we perform. This may be from another audit office in Australia or from an independent reviewer.

Independent panel review of performance audit reports – to get an independent opinion as to the effectiveness of our performance audit reports.

Technical training is a critical part of the Quality Assurance Plan. We regularly deliver training sessions on what is audit quality, the importance of audit quality and the role and responsibility for audit quality.

Reviews

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

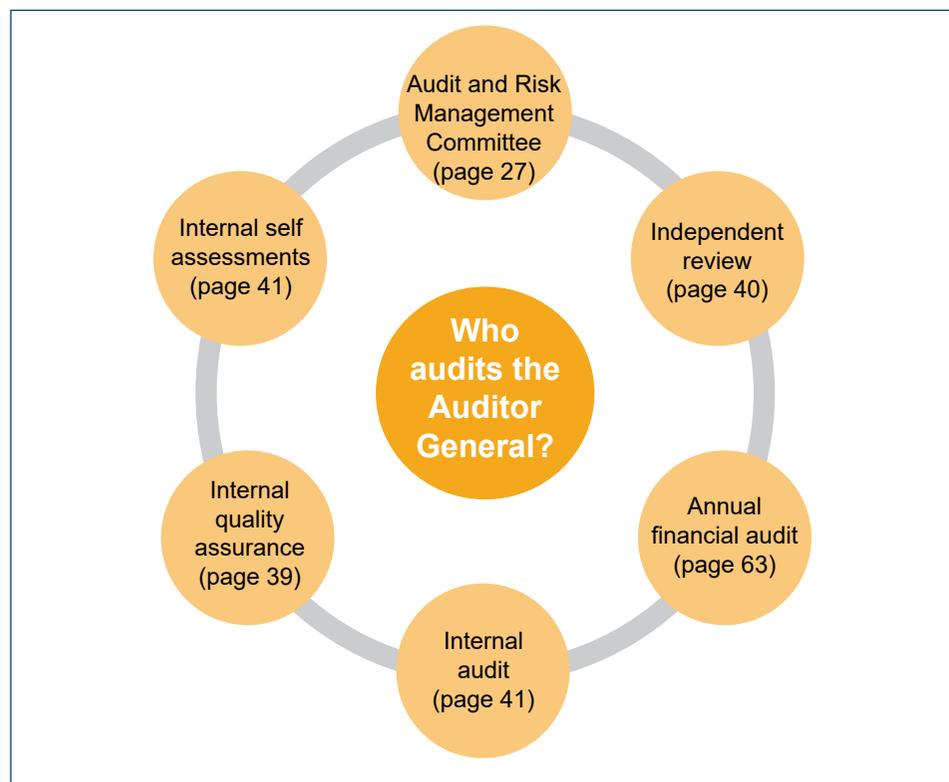


Figure 7: Reviews of OAG in 2016-17

Independent review of our reports

In February 2017, we engaged 3 independent reviewers to assess 5 of our performance reports against 7 criteria:

- communication
- objective, scope and approach
- reporting
- audit conclusions
- audit recommendations
- value for money
- broader impact.

The 2017 results were highly favourable with some improvement opportunities identified – including more graphs and tables in our reports as well as photos and maps from our audit visits.

We arrange an independent review of our reports approximately every 2 years. The results of this latest review were very comparable to those results received in 2015 by a different panel of reviewers.

Internal audit

Our internal auditors (2020 Global) provided their 2016-17 report on 9 May 2017. This year, 6 key areas were audited (Table 15), which were developed in consultation with ARMC, ICT Committee and Executive.

Overall, the report concluded:

'...in our opinion the practices reviewed are sound and the OAG has once again demonstrated a high level of focus in managing the control environment.'

'In our opinion, based on the functions/areas subject to review, the office's control environment is of a good standard for the scope areas examined. There are some opportunities for improvement, albeit minor. Reflecting the number, nature and potential value of observations we assess an A rating.'

We have implemented 4 recommendations and we expect to have the remainder in place by end of August 2017. Executive did not support 1 recommendation.

Area	Rating	Recommendations		
		Total	Outstanding	Completed
New HR system data migration	Compliant	None	n/a	n/a
New HR system and processes – payroll	Minor	2	1	1
New HR system and processes – leave entitlements	Minor	2	1	1
Audit quality monitoring program	Compliant	None	n/a	n/a
Compliance with indirect taxes	Compliant	1	0	1
Preapproval and tendering process for contract auditors	Minor	2*	0	1

* One recommendation was not endorsed by Executive at this time.

Table 15: Summary of recommendations of 2016-17 internal audit

In addition, our internal audit plan captures the need to assess various aspects of our information technology and security. As a result 3 audits were undertaken in 2016 for our information technology activities.

Internal self-assessments

Many of the audits we conduct of other agencies also have relevance to ourselves, especially our AGBAs. For this reason, we self-assess our own internal processes and controls against the audit criteria used for these audits. We address any improvement opportunities coming out of these reviews as soon as practicable.

In 2016-17, our Business Services unit self-assessed our performance against the criteria used in the audits of:

- *Timely Payment of Suppliers* (page 30)
- *Financial and Performance Information in Annual Reports* (page 31).

Working with Parliament

Unlike public sector departments and agencies, we do not report to any government minister but report directly to Parliament. As our key client, we strive to keep Parliament informed on public sector accountability and performance and we have developed a number of initiatives to promote quality relationships with Parliament and parliamentary 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 us, and supports our mission to help improve public sector performance and accountability by reporting independently to Parliament.

This program includes:

- briefings for new ministers, members of Parliament and parliamentary committees
- regular meetings and briefings with parliamentary committees and key parliamentarians
- briefing parliamentarians on our tabled reports
- briefings to our parliamentary oversight committees on our proposed forward audit program and current audits
- providing information to support inquiries by parliamentary committees.

We use the results of our members of Parliament survey, together with direct feedback throughout the year, to identify any potential initiatives or improvements that could further enhance our parliamentary liaison program.

Parliamentary inquiries

We have been involved in, or provided information to assist a number of parliamentary inquiries during 2016-17. This included the:

- Economics and Industry Standing Committee about our 2016 report, *Assessment of Progress to Improve Payment Security for Government Construction Subcontractors*
- Standing Committee on Education and Health regarding our 2016 report, *Health Department's Procurement and Management of its Centralised Computing Services Contract*
- PAC regarding its inquiry on ICT procurement, *Doing ICT Better: Improving Outcomes from the Western Australian Government's Investment in Information and Communications Technology*
- EFOC on its report into the *Provision of Information to the Parliament*.

We have also provided information to assist the Inquiry into Government Programs and Projects, which was announced by the Premier in May and is being led by the former Under Treasurer John Langoulant AO.

Parliamentary requests for investigation

The *Assessment of Progress to Improve Payment Security for Government Construction Subcontractors* (page 55) was based on a request from EFOC to assess the implementation of recommendations from a 2013 Small Business Development Corporation report.

We are currently finalising a report into non-clinical services at Fiona Stanley Hospital, which is based on a request from the Education and Health Standing Committee.

Members of Parliament survey

An independent research company conducts surveys throughout the year for us. The results are very important in understanding how we are performing and how well we are meeting the needs and expectations of our clients. They also inform our ongoing quality assurance and continuous improvement efforts and are used to measure the effectiveness of a number of our Strategic Plan initiatives.

A survey of members of Parliament is used to monitor our performance in meeting our vision of serving the public interest by an informed Parliament. Through the survey, members can share their views in areas such as satisfaction with our services and the effectiveness and usefulness of our products.

We did not conduct a survey this year due to the state election and the large number of new members who would not have had any engagement with us in the previous year. We will next survey members in 2018. However, we have a number of avenues which allow members to engage with us and provide comments outside the survey process, including the briefing opportunities in our parliamentary liaison program.

Working with our peers

Australasian Council of Auditors-General

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

ACAG also enables Auditors General to express their collective opinions, where appropriate, on financial accounting and auditing standards and related issues such as exposure drafts issued by 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.

- Financial Reporting and Auditing Committee provides strategic and technical advice on developments in accounting, financial reporting and financial auditing.
- Heads of Financial Audit Group provides a forum to exchange knowledge and experience in current financial audit developments and practice.
- Heads of Performance Audit Group provides strategic advice and information to support the development of effective and efficient performance auditing practices.
- Quality Assurance Panel develops and maintains ACAG's capacity to perform quality assurance reviews when requested by Auditors General.

Auditing and Assurance Standards Board

The Auditor General is a member of the Auditing and Assurance Standards Board, which is an independent, statutory agency of the Australian Government, responsible for developing, issuing and maintaining Australian Auditing and Assurance Standards.

Integrity Coordinating Group

The OAG is a member of the Integrity Coordinating Group (ICG) an informal association of 5 independent integrity agencies. The purpose of the group is to use their combined voice to promote and strengthen integrity in Western Australian public bodies. Members include the independent officers of the Auditor General, the Western Australian Ombudsman, the Public Sector Commissioner, the Corruption and Crime Commissioner and the Information Commissioner.

The group meets several times each year to share information and collaborate where appropriate. Outputs of the ICG include guidance papers and seminars that promote the concept of integrity in government.

Working with our stakeholders

We receive information from many different sources that assists us to perform our functions. We treat this information with confidentiality, 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 respect.

Our website includes information on how to contact us and provides an opportunity to submit 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 can be considered as part of our topic selection process (page 38).

Referrals and enquiries

Referrals can be an early warning of issues relating to the performance, probity and compliance of the public sector. We record and review all referrals and enquiries to identify any trends and wider issues across government.

When considering the issues referred to us, our focus is on systemic weaknesses rather than a one-off issue affecting an individual. We assess relevant issues against our internal protocols and in an ethical and objective manner to determine if further investigation is warranted. This can potentially lead to an audit. If the issue is outside our mandate, we will assist individuals to redirect their issues 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 agencies to highlight potential issues, while maintaining confidentiality.

In 2016-17, we experienced a 36% decrease in the number of referrals and enquiries lodged with us. The number of referrals received from members of Parliament or parliamentary committees dropped by almost 50% and was the lowest it has been in the last 5 years. This may in part be due to the March 2017 state election caretaker period, the subsequent transition of new members into Parliament and the establishment of the new parliamentary committees.

Referrals and/or enquiries received	2012-13	2013-14	2014-15	2015-16	2016-17
Members of the public	61	45	76	116	79
Member of Parliament or parliamentary committees	15	16	20	17	9
WA state government agencies	14	15	37	30	16
Total	90	76	133	163	104

Table 16: 2016-17 referrals and enquiries

In 2016-17, the average number of days we took to respond was 2.3 working days, an improvement from 3.49 days last year. We responded to 96.1% of all referrals and enquiries within our working day target, which was an improvement on last year's outcome of 93.3%.

Public interest disclosures

The OAG is an accountability agency to which people can make public interest disclosures (PID) under the *Public Interest Disclosure Act 2003*. The Act establishes us as the appropriate authority to receive PIDs that relate to substantial unauthorised or irregular use of, or substantial mismanagement of, public resources.

In 2016-17, we assessed 6 matters, 2 of which met the PID criteria.

The Auditor General appoints key employees, including members of Executive, as PID officers. We deliver appropriate training for these employees so they can receive and manage PIDs effectively.

Complaints

We define a complaint as any expression of dissatisfaction or concern made about OAG, its staff, external contractors, services, products or practices.

We received no complaints in 2016-17.

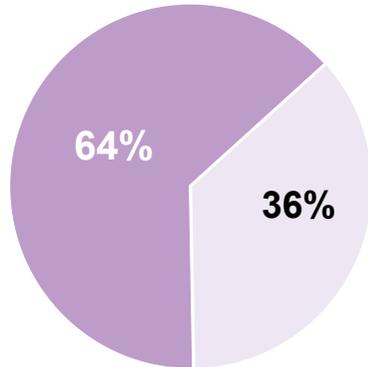
Our Products – Value for Money, Timely, Relevant, Accurate, Quality, Innovative

Outcomes	Strategies	Number of targets	Targets met	
			Yes	No
Timely, relevant and quality reports on public sector performance and accountability	<ul style="list-style-type: none"> Table reports on time and on budget 	3	2	1
Value for money reporting that address issues of public interest	<ul style="list-style-type: none"> Use benchmarking to ensure audit costs reflect value for money Produce reports that are considered valuable and relevant to Parliament Ensure that the right audit product (broad scope/narrow scope/AGBA) is selected to achieve value for money 	4	2	2
Reports and opinions that lead to improved public sector performance and accountability	<ul style="list-style-type: none"> Include consideration of topics important to agencies when developing forward audit program Ensure clearly articulated and accessible report findings and recommendations 	4	3	1
Total		11	7	4

Our full Strategic Plan is in Appendix 1.

Our products

Overall performance – Our Products



Target achieved	7
Target not achieved	4
Total	11

Delivered **187** financial audit opinions (page 48)

Over **37,000** website hits on the top 10 reports accessed this year (page 49)



First time considered **Cabinet-in-confidence** as justification to withhold information (page 50)

Our reports **inform, influence** and **result** in change (page 60)



Financial auditing

This year we delivered 187 audit opinions.

We aim to deliver audit opinions under the Financial Management Act in time for annual reports to be tabled by an agency within 90 days of the end of the financial year as required by the Act. We consistently achieve between 99 and 100% for this measure (Table 17). This year we achieved 100%, it took an average of 65.5 days to issue our financial audit opinions and we delivered 58% of our audit opinions earlier than last year.

	2012-13	2013-14	2014-15	2015-16	2016-17
%	100	99.3	99.3	99.3	100

Table 17: Percentage of audit opinions delivered within 90 days of financial year end

Our financial audit work includes the certification of financial and statistical information produced by departments and statutory authorities. This assists agencies to discharge conditions of Commonwealth funding, grants or legislation and to meet the requirements of funding agreements in a timely manner. In 2016-17, we issued 263 certifications, 235 relating to Royalties for Regions projects.

Audit opinions issued	2012-13	2013-14	2014-15	2015-16	2016-17
Annual Report on State Finances	1	1	1	1	1
Parliamentary departments	3	3	3	3	3
Government departments	40	40	42	44	45
Statutory authorities	92	86	83	85	83
Universities and state training providers	15	15	15	26*	9*
Superannuation funds	3	3	3	2	2
Corporatised entities	15	15	19	13	13
Cemetery boards	5	13	5	8	7
Subsidiary entities	14	12	11	19	20
Request audits	2	4	7	4	4
Total	190	192	189	205	187

*numbers fluctuated due to restructuring of the state training sector

Table 18: Audit opinions delivered from 2012-13 to 2016-17

Our reports tabled in 2016-17

During 2016-17, we tabled 26 reports in Parliament across our 4 audit topic categories. We aim to deliver timely, relevant and quality reports on public sector performance and accountability. These reports assist in achieving our vision and outcome of an informed Parliament 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 www.audit.wa.gov.au/reports.

Website statistics provide an indication of the degree of interest in our reports, and we use these to inform our topic selection process. Of the top 10 accessed reports this financial year, 6 were from 2016-17 the other 4 from previous years (Table 19).

Report	Total website interactions	Page views*	PDF downloads#
Opinions on Ministerial Notifications (Report 16 – November 2013)	6,542	6,482	60
Information Systems Audit Report (Report 11 – June 2016)	4,278	3,808	470
Audit Results Report – Annual 2015-16 Financial Audits (Report 24 – November 2016)	4,190	3,571	619
Tender Processes and Contract Extensions (Report 3 – April 2017)	3,846	3,449	397
Information Systems – Applications Controls Audits (Report 11 – June 2013)	3,690	3,234	456
Information and Communication Technology in Education (Report 19 – August 2016)	3,614	3,133	481
Fraud Prevention and Detection in the Public Sector (Report 7 – June 2013)	2,997	2,850	147
Financial and Performance Information in Annual Reports (Report 17 – July 2016)	2,990	2,574	416
Controls Over Purchasing Cards (Report 4 – April 2017)	2,835	2,475	360
Ord-East Kimberley Development (Report 20 – September 2016)	2,680	2,271	409

* The number of times a page within the report subsection was viewed # PDF downloads includes report, summary and media statement

Table 19: Top 10 accessed reports in 2016-17

Grant Administration

Across government benchmarking audit

KPI category – Governance

Tabled – 7 July 2016



This audit assessed whether 8 agencies had controls and procedures in place to ensure compliance with requirements at various stages of the grant process, including the awarding and approval of grants, monitoring of grant milestones and acquittal of grants. Most agencies were generally administering grants satisfactorily. Three displayed good practice across all our lines of inquiry and 5 had some opportunities for improvement.

Financial and Performance Information in Annual Reports

Across government benchmarking audit

KPI category – Governance

Tabled – 21 July 2016



This audit assessed whether agency information relating to the financial statements, key performance indicators (KPIs) and, where applicable, section 40 financial estimates was reported accurately and consistently throughout the annual report. We looked at the 2014-15 annual reports of 50 agencies and found errors, omissions or non-compliance in 18. An agency is responsible for ensuring the financial statements and KPIs published in its annual report are the audited version and that the annual report clearly identifies what is audited information and what is not.

Opinion on Ministerial Notifications

Opinion on ministerial notifications

KPI category – Governance

Tabled – 11 August 2016



The Auditor General considered decisions by 3 Ministers to withhold information from Parliament due to Cabinet confidentiality were not reasonable and therefore not appropriate. Some of the information was publicly accessible and could have been provided to Parliament. We recommended the Department of Treasury and Department of the Premier and Cabinet provide guidance to assist agencies with future requests for such information.

Information and Communication Technology (ICT) in Education

Narrow scope performance audit

KPI category – Service delivery

Tabled – 17 August 2016



The audit looked at how the Department of Education plans, manages, advises and supports the use of ICT in public schools. The Department has a vision but no implementation plan leaving individual schools unsure about what ICT changes are coming. We also found that funding constraints and limited access to ICT expertise leaves some schools struggling. We recommended the Department rethink how it engages with schools and what it can do to help them.

Ord-East Kimberley Development

Broad scope performance audit

KPI category – Economic development

Tabled – 7 September 2016



The audit looked at how effectively the Department of Regional Development has implemented the *Ord-East Kimberley Development Plan* and whether the intended socio-economic benefits were achieved. We found there has been mixed results with infrastructure built, irrigation in place, farming commenced and employment delivered during construction but sustained social and economic benefits are not yet evident. A lack of planning and scoping has resulted in cost increases and delays in timelines. Future development remains unclear and needs to be addressed by the government.

Opinion on Ministerial Notifications

Opinion on ministerial notifications

KPI category – Governance

Tabled – 6 October 2016



This inquiry dealt with the decision by the Minister for Corrective Services not to provide information to the Legislative Council Standing Committee on Public Administration about the Court Security and Custodial Services Contract. The Auditor General was unable to form an opinion as he could not obtain sufficient evidence.

Opinion on Ministerial Notifications

Opinion on ministerial notifications

KPI category – Governance

Tabled – 13 October 2016



The Auditor General found the decision by the Premier, in his role as Minister for Tourism, not to provide information to Parliament regarding 16 Western Australian Tourism Commission sponsorship agreements was reasonable and appropriate.

Western Australian Waste Strategy: Rethinking Waste

Narrow scope performance review

KPI category – Social and environment

Tabled – 19 October 2016



The audit assessed whether strategies to reduce the state's reliance on landfill for dealing with household, construction, demolition, commercial and industrial waste had been successful. We found although there has been improvement in the management of waste since 2012, none of the 2015 WA Waste Strategy targets for waste diversion from landfill were met. The diversion of waste from landfill is a shared responsibility and requires action from state and local governments, industry and the wider community. Government needs to lead by example and provide good practice waste management planning and guidance.

Audit Results Report – Annual 2015-16 Financial Audits

Financial audit

KPI category – Governance

Tabled – 9 November 2016



This report is the summary of the results of the annual audits of 167 agencies and 238 certification opinions. We found many agencies are performing satisfactorily in relation to their financial reporting and controls but there is room for improvement. All agencies should take note and act on the recommendations in the report.

Opinion on Ministerial Notifications

Opinion on ministerial notifications

KPI category – n/a*

Tabled – 9 November 2016



This inquiry found the decision by the Minister for Regional Development not to provide Parliament with the Bunbury Waterfront Project business case was reasonable and appropriate.

Opinion on Ministerial Notifications

Opinion on ministerial notifications

KPI category – n/a*

Tabled – 23 November 2016



The Auditor General found the decision by the former Minister for Transport not to provide the Standing Committee on Estimates and Financial Operations with information was not reasonable, and therefore not appropriate, as it was already publicly available. The information requested was a written ministerial directive to engage Chronos Advisory and the associated procurement advice from the Department of Transport.

Opinions on Ministerial Notifications

Opinion on ministerial notifications

KPI category – Governance

Tabled – 7 December 2016



The Auditor General found the decisions by 14 Ministers not to provide the strategic asset plans of 41 agencies to Parliament due to Cabinet confidentiality were not reasonable, and therefore not appropriate. Strategic asset plans are not prepared solely for consideration by Cabinet and may contain both confidential and public information.

* Does not count as a report for KPI requirements

Malware in the WA State Government

Information systems

KPI category – Governance

Tabled – 7 December 2016



Cybersecurity attacks are becoming more frequent, sophisticated and dangerous and government agencies are not immune. We found the 6 agencies audited were under constant threat and there was a high volume of attacks that had breached at least the first security layer. Weak or missing security controls, allows malware to enter the network and attempt to infect computers. Agencies can reduce the risk through basic and cost-effective solutions. Skilled professionals and executive and staff awareness of malware risks also play key roles.

Improving Immunisation Rates of Children in WA

Narrow scope performance audit

KPI category – Service delivery

Tabled – 21 December 2016



This audit assessed the effectiveness of the delivery by WA Health of immunisation services to children and adolescents. We found the approach is effective and WA is meeting the national immunisation target of 90% for children aged 0 to 5 years. Health needs to identify any groups at risk of preventable diseases and tailor programs for them.

Measuring Tax Collection Performance

Narrow scope performance audit

KPI category – Governance

Tabled – 22 December 2016



This audit assessed how well the Office of State Revenue (OSR) is collecting state taxes. We found OSR generally performs well in its collections of state taxes and against the government's tax estimates but it could collect more tax from taxpayers who do not meet their obligations. The OSR can do more to measure the efficiency of its activities and in estimating the tax gap.

Assessment of Progress to Improve Payment Security for Government Construction Subcontractors

Narrow scope performance audit

KPI category – Governance

Tabled – 22 December 2016



This audit assessed progress to improve the security of subcontractor payments on state government construction projects and compliance with the *Building and Construction Industry Training Fund and Levy Collection Act 1990*. We found the key processes that help ensure security of payments have improved and a number of reforms are currently underway. We made a number of recommendations that will build on the reform.

Vocational Education and Training for Year 11 and 12 Students in Public Schools

Broad scope performance audit

KPI category – Service delivery

Tabled – 22 December 2016



The audit assessed the efficiency and effectiveness of the school education system in providing quality vocational education and training (VET) that meets the needs of senior school students. We found that schools and the Department of Education had expanded the delivery of VET in schools and met the needs of students. We recommended that better support for schools would reduce risks to schools.

Opinion on Ministerial Notifications

Opinion on ministerial notifications

KPI category – n/a*

Tabled – 30 March 2017



This inquiry found the decision by the former Police Minister not to provide information to Parliament about police visits to specified properties, was reasonable and appropriate.

* Does not count as a report for KPI requirements

Opinion on Ministerial Notifications

Opinion on ministerial notifications

KPI category – Governance

Tabled – 6 April 2017



This inquiry found decisions by the former Minister for Commerce not to provide information to Parliament about changes to the *Workers' Compensation and Injury Management Act 1981* were reasonable and appropriate.

Tender Processes and Contract Extensions

Across government benchmarking audit

KPI category – Governance

Tabled – 11 April 2017



This audit assessed the policies and practices for tendering and extension of existing contracts at 8 agencies. We found that, in general, agencies were satisfactorily managing tender processes and conflicts of interest, but need to improve how they manage contract extensions.

Controls Over Purchasing Cards

Across government benchmarking audit

KPI category – Governance

Tabled – 11 April 2017



This audit assessed the policies and practices for managing purchasing cards at 9 agencies and found no instance of purchasing cards being used inappropriately. Although there are shortcomings that need to be addressed, there is general improvement since our last audit of this area in 2014. The potential for improper or unauthorised use of purchasing cards means agencies need to ensure appropriate controls are in place and that they are continually vigilant against misuse.

Accuracy of WA Health's Activity Based Funding Data

Narrow scope performance audit

KPI category – Governance

Tabled – 11 April 2017



This audit assessed if WA Health has suitable processes and controls for recording, collating and submitting activity data and that this data was accurate. We found an error rate of 5.2%, which does not appear high given the complexity of activity coding and nature of the errors.

Opinions on Ministerial Notifications

Opinions on ministerial notifications

KPI category – Governance

Tabled – 13 April 2017



The Auditor General found decisions by the former Minister for Forestry and the former Attorney General not to provide information to Parliament were reasonable and appropriate. The information requested was about the potential shortfall in pine resources by volume and value, and the billable hours for the Bell Group litigation proceedings.

Audit Results Report – Annual 2016 Financial Audits

Financial audit

KPI category – Governance

Tabled – 11 May 2017



This report summarises the results of the annual audits of the 4 public universities and their subsidiaries, and the 5 TAFE colleges for 2016, as well as a small number of other audits. The report completes the 2016 annual audit cycle.

Management of Medical Equipment

Broad scope performance audit

KPI category – Service delivery

Tabled – 11 May 2017



This audit assessed whether the management of medical equipment at 8 public hospitals is efficient and effective. We found medical equipment failure rarely has a serious impact on patient care, but that efficiency gains are missed because asset management of the equipment is not effective.

Opinion on Ministerial Notification

Opinions on ministerial notifications

KPI category – n/a*

Tabled – 8 June 2017



The Auditor General found a decision by the former Minister for Health not to provide Parliament with the business case for the Quadriplegic Centre was reasonable and appropriate, as it was Cabinet-in-confidence. He found Health had appropriately advised the Minister it should remain confidential and noted that in responding to the request, the Minister said consideration would be given to providing the information at a later date.

Timely Payment of Suppliers

Across government benchmarking audit

KPI category – Governance

Tabled – 21 June 2017



This audit assessed whether 8 agencies are paying suppliers on a timely basis in accordance with the requirements and principles of the Treasurer's Instructions. We found that 8% of payments were more than 30 days after the invoice date, with no valid reason for the delay. While these delays are not acceptable, it was an improvement compared to our 2014 audit of timely payments, which found that 10% were late. However, in this audit late payments were later than those in our 2014 audit.

* Does not count as a report for KPI requirements

Opinion on Ministerial Notification

Opinions on ministerial notifications

KPI category – Governance

Tabled – 29 June 2017



The Auditor General found decisions by the former Minister for Water not to provide Water for Food business cases to Parliament were not reasonable and therefore not appropriate. This is because a significant amount of the information was already publicly available. However, the Minister followed an appropriate process in that her decisions were consistent with the advice she was provided and the advice was from a proper source and sufficiently convincing. The Department of Water's advice to the Minister was nevertheless incorrect in that it failed to advise the Minister that much of the business case was already publicly available and that these components could be released.

Information Systems Audit Report

Information systems audit

KPI category – Governance (x2)

Tabled – 29 June 2017



The annual IS Audit Report looked at the controls around 5 key business applications as well as general computer controls across 46 government agencies. The 5 applications were all working effectively but each had weaknesses. More than half of the 46 agencies are not meeting our controls benchmark in 3 or more of the control categories. Most of the issues raised are relatively simple and inexpensive to correct and there are lessons for all agencies in the management of IT systems.

Making a difference – report successes

Our outcome is work that makes a difference and helps to improve the public sector. Positive change to government activity and practice is a reflection of the impact our work is having and of our progress in meeting our desired outcome.

Some examples where our work has informed, influenced, or directly resulted in change includes:

- changes to State Supply Commission policies by the Department of Finance as a consequence of *Health Department's Procurement and Management of its Centralised Computing Services Contract* (January 2016)
- improvements in the living conditions of Aboriginal people in Western Australia through *Resilient Families, Strong Communities: A roadmap for regional and remote communities* as recommended in *Delivering Essential Services to Remote Aboriginal Communities* (May 2015)
- the Light Industry Program to reduce groundwater and drainage contamination from light industrial and commercial activities into priority river catchments was introduced following our report, *Health of the Swan Canning River System* (August 2014)
- major education and public awareness campaign to target safe cycling and respect among road users, and better connections between suburbs and main cycle routes as outlined in *Safe and Viable Cycling in the Perth Metropolitan Area* (October 2015)
- Theatre Efficiency Reform Program introduced by Health WA including new theatre schedules at Sir Charles Gairdner Hospital to improve the use of operating theatres in response to *Operating Theatre Efficiency* (November 2015).

Parliament follow up of our reports

We acknowledge and appreciate the important role PAC plays in its follow up of recommendations made in our tabled performance reports. PAC requires agencies to explain in writing what action they have taken to address our recommendations and can require senior management to appear at a hearing to provide further information. PAC may also choose to seek comment from the responsible minister.

PAC issued its latest *Review of Auditor General Reports* in November 2016. It also published *Doing ICT Better* (September 2016) with a view to determining how the public sector could obtain better outcomes from the planning and management of its ICT requirements. The PAC reports are available on the Parliament website www.parliament.wa.gov.au.

Financial Statements

Key Performance Indicators

Disclosures and Other Legal Requirements

Appendices

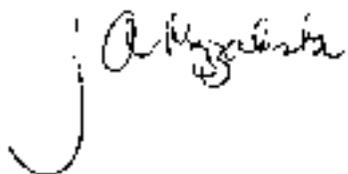


Certification of Financial Statements

For the year ended 30 June 2017

The accompanying financial statements of the Office of the Auditor General have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2017 and the financial position as at 30 June 2017.

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.



JUSTINE MEZZATESTA CPA MBA
CHIEF FINANCE OFFICER
27 July 2017



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
27 July 2017

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 2017, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Statement 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 2017 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 in Australia. 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.



Bentleys Audit & Corporate
(WA) Pty Ltd

London House

Level 3,

210 St Georges Terrace

Perth WA 6000

PO Box 7775

Oxley Square WA 6850

ABN 53 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au



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Independent Auditor's Opinion

Independent Auditor's Report

To the Parliament of Western Australia
Office of the Auditor General (Continued)



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
<p>Revenue Recognition – Accrued Revenue</p> <p>The Office recognises audit fee revenue based on the percentage of completion of audit engagements. For the year ended 30 June 2017, the Office recorded audit fee revenue of \$16.945 million, and accrued revenue relating to engagements in progress of \$6.810 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;▶ Checking the mathematical accuracy of the model used to calculate the accrued revenue balance; and▶ Assessing the appropriateness of the disclosures included in Notes 1(g), 9 and 13.

Independent Auditor's Opinion

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



Key Audit Matter

How The Key Audit Matter Was Addressed

Provisions – Employee Entitlements

Included in the Statement of Financial Position are provisions of \$3.725 million, of which \$2.784 million is current and \$0.941 million is non-current. The provisions consists of employee benefits, including annual and long service leave.

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.

Our procedures amongst others included:

- ▶ 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 Notes 1(g) and 20.

Independent Auditor's Opinion

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



Key Audit Matter	How The Key Audit Matter Was Addressed
Intangible Assets During the year the Office continued to develop a human resources management information system. Components of this system became operational during the year, with other components remaining in development. The Office has recognised directly attributable costs to this asset, for which the assumptions utilised in making this assessment requires judgements to be made.	Our procedures amongst others included: <ul style="list-style-type: none">▶ Obtaining schedules supporting the amounts recognised as intangible assets;▶ Critical assessment of the judgements of what costs were considered directly attributable in accordance with AASB 138 Intangible Assets;▶ Testing of a sample of the additions of intangibles during the year;▶ Consideration of the status of intangibles in development, and the useful life of the phases that were completed during the year and amortised; and▶ Assessing the appropriateness of the disclosures included in Notes 1(f) and 17.

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 2017, 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.

Independent Auditor's Opinion

Independent Auditor's Report

To the Parliament of Western Australia
Office of the Auditor General (Continued)



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.

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 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.

Independent Auditor's Opinion

Independent Auditor's Report

To the Parliament of Western Australia
Office of the Auditor General (Continued)



- ▶ 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.

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 2017.

Independent Auditor's Opinion

Independent Auditor's Report

To the Parliament of Western Australia
Office of the Auditor General (Continued)



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.

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.

Independent Auditor's Opinion

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



Report on the Key Performance Indicators

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 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

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 assess the Office's performance and fairly represent indicated performance for the year ended 30 June 2017.

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.

Independent Auditor's Opinion

Independent Auditor's Report

To the Parliament of Western Australia
Office of the Auditor General (Continued)



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.

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 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, and Other Assurance 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 2017 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 handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Doug Bell".

DOUG BELL
Director

Dated at Perth this 27th day of July 2017

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
COST OF SERVICES			
Expenses			
Employee benefits expense	2	15,397	15,330
Supplies and services	4	6,102	6,313
Depreciation and amortisation expense	5	331	391
Accommodation expenses	6	2,242	2,227
Other expenses	7	74	70
Total cost of services		24,146	24,331
Income			
<i>Revenue</i>			
User charges and fees	9	16,945	18,310
Other revenue	10	33	36
Total income other than income from State Government		16,978	18,346
NET COST OF SERVICES		7,168	5,985
Income from State Government			
Service appropriation	11	7,181	7,044
Services received free of charge		474	521
Total income from State Government		7,655	7,565
SURPLUS FOR THE PERIOD		487	1,580
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		487	1,580

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

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	22	5,039	4,886
Receivables	13	7,008	7,984
Amounts receivable for services	14	330	390
Other current assets	15	477	423
Total Current Assets		12,854	13,683
Non-Current Assets			
Restricted cash and cash equivalents	12, 22	53	-
Receivables	13	-	5
Amounts receivable for services	14	2,810	2,419
Property, plant and equipment	16	559	191
Intangible assets	17	469	193
Total Non-Current Assets		3,891	2,808
TOTAL ASSETS		16,745	16,491
LIABILITIES			
Current Liabilities			
Payables	19	540	962
Provisions	20	2,784	2,823
Total Current Liabilities		3,324	3,785
Non-Current Liabilities			
Provisions	20	941	963
Total Non-Current Liabilities		941	963
TOTAL LIABILITIES		4,265	4,748
NET ASSETS		12,480	11,743
EQUITY			
Contributed equity	21	8,331	8,081
Accumulated surplus		4,149	3,662
TOTAL EQUITY		12,480	11,743

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 2017

	Note	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000
Balance at 1 July 2015	21	7,781	2,082	9,863
Surplus		-	1,580	1,580
Total comprehensive income for the period		-	1,580	1,580
Transactions with owners in their capacity as owners:				
Capital appropriations		300	-	300
Total		300	-	300
Balance at 30 June 2016		8,081	3,662	11,743
Balance at 1 July 2016		8,081	3,662	11,743
Surplus		-	487	487
Total comprehensive income for the period		-	487	487
Transactions with owners in their capacity as owners:				
Capital appropriations		250	-	250
Total		250	-	250
Balance at 30 June 2017		8,331	4,149	12,480

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 2017

	Note	2017 \$'000	2016 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		6,460	6,323
Capital appropriations		250	300
Holding Account drawdown		390	314
Net cash provided by State Government		7,100	6,937
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(15,296)	(15,982)
Supplies and services		(6,678)	(6,063)
Accommodation		(1,768)	(1,724)
GST payments on purchases		(908)	(766)
GST payments to taxation authority		(1,243)	(1,257)
Other payments		(74)	(70)
Receipts			
User charges and fees		17,854	17,864
GST receipts on sales		1,942	1,900
GST receipts from taxation authority		208	118
Other receipts		33	36
Net cash used in operating activities	22	(5,930)	(5,944)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(964)	(180)
Receipts			
Proceeds from sale of non-current assets		-	-
Net cash used in investing activities		(964)	(180)
Net increase/(decrease) in cash and cash equivalents		206	813
Cash and cash equivalents at the beginning of the period		4,886	4,073
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22	5,092	4,886

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2017

	2017 Estimate \$'000	2017 Actual \$'000	Variance \$'000	2017 Actual \$'000	2016 Actual \$'000	Variance \$'000
DELIVERY OF SERVICES						
Item 66 Net amount appropriated to deliver services	6,428	6,428	-	6,428	6,310	118
Amount Authorised by Other Statutes						
– <i>Salaries and Allowances Act 1975</i>	753	753	-	753	734	19
Total appropriations provided to deliver services	7,181	7,181	-	7,181	7,044	137
CAPITAL						
Item 148 Capital appropriations	250	250	-	250	300	(50)
GRAND TOTAL	7,431	7,431	-	7,431	7,344	87
DETAILS OF EXPENSES BY SERVICE						
Public Sector Auditing	25,298	24,146	(1,152)	24,146	24,331	(185)
Total Cost of Services	25,298	24,146	(1,152)	24,146	24,331	(185)
Less Total Income	(17,686)	(16,978)	708	(16,978)	(18,346)	1,368
Net Cost of Services	7,612	7,168	(444)	7,168	5,985	1,183
Adjustments	(431)	13	444	13	1,059	(1,046)
Total appropriations provided to deliver services	7,181	7,181	-	7,181	7,044	137
CAPITAL EXPENDITURE						
Purchase of non-current physical assets	640	964	324	964	180	784
Adjustments for other funding sources	(390)	(714)	(324)	(714)	120	(834)
Capital appropriations	250	250	-	250	300	(50)

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

Note 26 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016.

Notes to the Financial Statements

For the year ending 30 June 2017

Note 1: Significant accounting policies

Significant accounting policies are shown in the notes to which they relate except as follows:

(a) Statement of compliance

The Office of the Auditor General (the Office) is a not-for-profit reporting entity and its general purpose financial statements have been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. The *Financial Management Act 2006* (Western Australia) and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards. Where modification is required and has had a material or significant financial effect upon the reported results, details are disclosed in the notes to the financial statements.

(b) New and revised Accounting Standards

The Office has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2017. Full disclosure of changes in accounting policies and estimates is included at Note 31.

(c) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000). Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

(d) Reporting entity

Mission

The Office's mission is to help improve public sector performance and accountability by reporting independently to Parliament.

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

Services

The Office provides the following service: Public Sector Auditing.

This comprises the external audit of the Western Australian public sector through audits of financial statements, controls and key performance indicators and audits of efficiency and effectiveness of public sector operations.

(e) Related bodies and affiliated bodies

The Office does not have any related bodies and affiliated bodies.

(f) Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Office evaluates these judgements regularly.

Intangible assets – capitalisation of development expenditure

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

Note 1: Significant accounting policies (continued)

(g) Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Annual leave and long service leave

The Office uses short-hand measurement techniques for annual leave and long service leave provisions recommended by the actuary. The actuary periodically performs an actuarial valuation to validate the short-hand measurement techniques. The latest actuarial valuation was performed at 5 May 2016. Several estimations and assumptions used in calculating the Office's annual leave and 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 on the suitability of the short-hand measurement techniques and the carrying amounts of the annual leave and long service leave provisions. Refer to Note 20.

Work-in-progress percentage of completion as at 30 June 2017

For audits conducted in-house, the percentage completed is estimated from the percentage of budget hours completed.

For contract audits, the percentage completed is estimated on the basis of actual invoices received from contract audit firms, supplemented by their estimate of subsequent work completed but not yet billed. Refer to Note 9.

2017	2016
\$'000	\$'000

Note 2. Employee benefits expense

Accounting policy

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. The Office makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. All the superannuation schemes are defined contribution plans.

The Gold State Superannuation Scheme (GSS) administered by GESB is a defined contribution plan for Office purposes because the concurrent contributions (defined contributions) made by the Office to GESB extinguishes the Office's obligations to the related superannuation liability.

The Office has no liabilities under the Pension Scheme (a defined benefit pension scheme closed to new members since 1987) or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Office to the GESB.

Superannuation expense is recognised in profit or loss.

Financial disclosure

Wages and salaries ^(a)	14,026	13,950
Superannuation – defined contribution plans	1,371	1,380
	15,397	15,330

(a) Includes the value of fringe benefits provided to employees plus the fringe benefits tax component and leave entitlements, including superannuation contribution component.

2017	2016
\$'000	\$'000

Note 3. Compensation of Key Management Personnel

The Office has determined that key management personnel include the senior officers of the Office.

Total compensation for senior officers for the reporting period are presented within the following bands:

Compensation Band (\$)	2017	2016
30,001 – 40,000	-	1
130,001 – 140,000	-	1
200,001 – 210,000	1	1
210,001 – 220,000	-	1
220,001 – 230,000	2	-
230,001 – 240,000	-	1
240,001 – 250,000	1	-
260,001 – 270,000	1	-
270,001 – 280,000	-	1
290,001 – 300,000	-	1
300,001 – 310,000	1	-
440,001 – 450,000	1	1

	\$'000	\$'000
Short-term employment benefits	1,554	1,465
Post-employment benefits	173	172
Other long-term benefits	193	200
Total compensation of senior officers	1,920	1,837

In the financial year 2015-16, a senior officer took extended leave from August to December 2015. An Officer was temporarily appointed to the position. Details of the acting senior officer's compensation are included in the financial disclosure above for 2016, as the Officer acted for more than 3 months during the financial year.

2017	2016
\$'000	\$'000

Note 4. Supplies and services

Contracted audit work	3,983	4,601
Other services and contracts	502	287
Other staffing costs	192	211
Repairs and maintenance	730	539
Travel and accommodation	199	234
Administration	201	163
Consumables	82	34
Motor vehicle lease expenses	112	113
Artwork leases	2	2
Communications	96	122
Advertising	1	3
Other	2	4
	<u>6,102</u>	<u>6,313</u>

Note 5. Depreciation and amortisation expense

Accounting policy

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

Office and computer equipment – 2 to 10 years.

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

Software – 3 years.

Financial disclosure

Depreciation – office and computer equipment	186	250
Amortisation – intangible assets	145	141
	<u>331</u>	<u>391</u>

	2017 \$'000	2016 \$'000
Note 6. Accommodation expenses		
Office lease rentals ^(a)	1,656	1,702
Office parking	102	107
Monthly outgoings	484	418
	2,242	2,227

(a) Refer to Note 24 'Commitments'

Note 7. Other expenses

Employment on-costs	33	30
Audit fee	41	40
	74	70

	2017 \$'000	2016 \$'000
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Note 8. Related Party Transactions

The Office is a wholly-owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Office include:

- all 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 departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Significant transactions with Government-related entities:

- service appropriation (Note 11);
- capital appropriation (Note 21);
- audit fee income (Note 9);
- office lease rentals and monthly outgoings (Notes 6 and 24);
- motor vehicle lease expenses (Notes 4 and 24); and
- services received free of charge (Note 11).

Significant balances with Government-related entities at year end include:

- amounts receivable for services (Holding Account) (Note 14); and
- accrued revenue receivable (Note 13).

Material transactions with other related parties

- superannuation payments to GESB (Note 2).

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 3 for disclosure of compensation of key management personnel.

2017	2016
\$'000	\$'000

Note 9. User charges and fees

Accounting policy

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

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

Provision of services – Revenue is recognised by reference to the stage of completion of the transaction. Refer to Note 1(g) for the disclosure of key estimates in relation to work-in-progress percentage of completion.

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 \$17.0 million in 2017 (\$18.3m in 2016) from the following:

- Assurance and audit fees
- Government vehicle scheme
- Other Office revenue.

Financial disclosure

Audit fees	16,945	18,310
	16,945	18,310

Note 10. Other revenue

Contributions for the use of motor vehicle	31	26
Miscellaneous	2	10
	33	36

2017	2016
\$'000	\$'000

Note 11. Income from State Government

Accounting policy

Service appropriations are recognised as revenues in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited into the bank account or credited to the 'Amounts receivable for services (Holding Account)' held at Treasury.

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

Financial disclosure

Appropriation received during the period:

Service appropriation ^(a)	7,181	7,044
	7,181	7,044

Services received free of charge from other State government agencies during the period:

State Solicitor's Office	17	18
Department of Finance	457	503
	474	521
	7,655	7,565

(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.

2017	2016
\$'000	\$'000

Note 12. Restricted cash and cash equivalents

Accounting policy

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

Financial disclosure

Non-current	53	–
	53	–

2017	2016
\$'000	\$'000

Note 13. Receivables

Accounting policy

Receivables are recognised at original invoice amount less an allowance for any uncollectable amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectable are written-off against the allowance account. The allowance for uncollectable amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

Financial disclosure

Current

Accrued revenue	6,810	7,798
GST receivables	141	118
Amounts receivable for employees seconded	52	64
Salary over-payments	5	4
	7,008	7,984

Non-current

Salary over-payments	–	5
Total	–	5

2017	2016
\$'000	\$'000

Note 14. Amounts receivable for services (Holding Account)

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 accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

Financial disclosure

Current	330	390
Non-current	2,810	2,419
	3,140	2,809

Note 15. Other assets

Current

Prepayments	477	423
Total current	477	423

2017	2016
\$'000	\$'000

Note 16. Property, plant and equipment

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 nominal cost, 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.

Financial disclosure

Office and Computer Equipment

At cost	2,255	1,773
Accumulated depreciation	(1,696)	(1,582)
	559	191

2017	2016
\$'000	\$'000

Note 16. 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 \$'000
2017	
Carrying amount at start of period	191
Additions	554
Depreciation	(186)
Carrying amount at end of period	559
2016	
Carrying amount at start of period	394
Additions	47
Depreciation	(250)
Carrying amount at end of period	191

2017	2016
\$'000	\$'000

Note 17. Intangible assets

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 direct to the Statement of Comprehensive Income. Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset.

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

Financial disclosure

Computer software

At cost	1,537	1,244
Accumulated amortisation	(1,244)	(1,100)
Carrying amount at the end of the period	293	144
Computer software in development – at cost	176	49
Total	469	193

2017
\$'000

2016
\$'000

Note 17. Intangible assets (continued)

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 \$'000	Computer Software in Development \$'000	Total \$'000
2017			
Carrying amount at start of period	144	49	193
Additions	39	382	421
Transfers	255	(255)	–
Amortisation expense	(145)	–	(145)
Carrying amount at end of period	293	176	469
2016			
Carrying amount at start of period	201	–	201
Additions	84	49	133
Amortisation expense	(141)	–	(141)
Carrying amount at end of period	144	49	193

Note 18. Impairment of assets

Accounting policy

Property, plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period.

Financial disclosure

There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2017 and 30 June 2016

2017
\$'000

2016
\$'000

Note 19. Payables

Accounting policy

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.

Payables are recognised at the amounts payable when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

Financial disclosure

Current

Accrued expenses	12	171
Accrued salaries	56	–
Paid parental leave	3	–
Amounts payable for employees seconded	71	41
Work in progress contractor audit work	398	750
Total current	540	962

2017	2016
\$'000	\$'000

Note 20. Provisions

Accounting policy

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employees benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is based on remuneration rates current as at the end of the reporting period. An actuarial assessment of annual leave undertaken by PricewaterhouseCoopers Actuaries at 5 May 2016 determined that the liability using the short-hand measurement technique above was not materially different from the liability using the present value of expected future payments. 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.

Refer to Note 1(g) for the disclosure of key estimates in relation to annual leave.

2017	2016
\$'000	\$'000

Note 20. Provisions (continued)

Long service leave

A liability for long service leave is recognised after an employee has completed 4 years (2016: 4 years) of service based on remuneration rates current as at the end of the reporting period. An actuarial assessment of long service leave undertaken by PricewaterhouseCoopers Actuaries at 5 May 2016 determined that the liability measured using the short-hand measurement technique above was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Office's experience of employee retention and leave taken. Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Office has an unconditional right to defer settlement of the liability until the employee has completed the requisite years of service.

Refer to Note 1(g) for the disclosure of key estimates in relation to long service leave.

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.

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are included as part of 'Other expenses'. The related liability is included in 'Employment on-costs provision'.

2017	2016
\$'000	\$'000

Note 20. Provisions (continued)

Current

Employee benefits provision

Annual leave ^(a)	1,023	1,165
Long service leave ^(b)	1,720	1,610
Purchased leave	28	35
	2,771	2,810

Other provisions

Employment on-costs	13	13
	13	13
	2,784	2,823

Non-Current

Employee benefits provision

Long service leave ^(b)	937	959
	937	959

Other provisions

Employment on-costs	4	4
	4	4
	941	963

2017	2016
\$'000	\$'000

Note 20. Provisions (continued)

(a) Annual leave liabilities – assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	744	847
More than 12 months after the end of the reporting period	279	318
	1,023	1,165

(b) Long service leave liabilities – assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	545	527
More than 12 months after the end of the reporting period	2,112	2,042
	2,657	2,569

2017	2016
\$'000	\$'000

Note 21. Equity

Accounting policy

The Western Australian Government holds the equity interest in the Office on behalf of the community. Equity represents the residual interest in the net assets of the Office.

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.

Financial disclosure

Contributed equity

Balance at start of period	8,081	7,781
Contributions by owners		
Capital appropriation	250	300
Total contributions by owners	250	300
Balance at end of period	8,331	8,081

Accumulated surplus

Balance at start of period	3,662	2,082
Result for the period	487	1,580
Balance at end of period	4,149	3,662
Total Equity at end of period	12,480	11,743

2017	2016
\$'000	\$'000

Note 22. Notes to the Statement of Cash Flows

Accounting policy

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 3 months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

Financial disclosure

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	5,039	4,886
Restricted cash and cash equivalents	53	-
<i>(Note 12 'Restricted cash and cash equivalents')</i>		
	5,092	4,886

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

Net cost of services	(7,168)	(5,985)
Non-cash items		
Depreciation and amortisation expense	331	391
Services received free of charge	474	521
Net (gain)/loss on disposal of non-current assets		-
(Increase)/decrease in assets		
Current receivables	1,007	(579)
Non-current receivables	-	4
Increase/(decrease) in liabilities		
Current payables	(433)	(69)
Current provisions	(39)	22
Non-current provisions	(23)	(205)
Net GST receipts/(payments)	-	(5)
Change in GST in receivables/payables	(79)	(39)
Net cash provided by/(used in) operating activities	(5,930)	(5,944)

2017	2016
\$'000	\$'000

Note 23. Services provided free of charge

During the year audit services were provided by the Office free of charge to the following departments, statutory authorities and request audits:

Chowerup Cemetery Board	3	3
South Caroling Cemetery	-	4
Dwellingup Cemetery Board	3	-
	<u>6</u>	<u>7</u>

Note 24. Commitments

Accounting policy

The Office holds operating leases for office accommodation, certain equipment and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased items.

Financial disclosure

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Within 1 year	2,315	2,395
Later than 1 year and not later than 5 years	15	2,424
Later than 5 years	-	-
	<u>2,330</u>	<u>4,819</u>

The Office has entered into a memorandum of understanding with the Department of Finance's Building Management and Works division for leasing floor space at Albert Facey House. The memorandum of understanding is not a legally binding agreement, however, it has been agreed that all parties will comply with the terms and conditions as if they were legally enforceable obligations. The memorandum of understanding covers a 3 year occupancy period from 2011-12 with an option to renew occupancy for an additional 3 years. This option was exercised by Department of Finance. Accordingly, the revised lease expiry date is now 30 June 2018.

Rent is payable monthly in arrears. Contingent rent provisions within the memorandum of understanding require that the minimum lease payments shall be increased by any increase in market indices from 2015-16.

2017	2016
\$'000	\$'000

Note 24. Commitments (continued)

The commitments below are inclusive of GST where relevant.

Capital expenditure commitments

Capital expenditure commitments for development of a new human resources management information system additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	91	124
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>91</u>	<u>124</u>

Other expenditure commitments

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

Within 1 year	2,519	3,281
Later than 1 year and not later than 5 years	987	1,716
Later than 5 years	-	-
	<u>3,506</u>	<u>4,997</u>

Recurrent expenditure commitments for contracted fortnightly payroll processing at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	48	37
Later than 1 year and not later than 5 years	48	96
Later than 5 years	-	-
	<u>96</u>	<u>133</u>

Note 25. Events occurring after the end of the reporting period

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

Note 26. Explanatory statement

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for major variances, which are greater than:

- 5% and \$487,000 for the Statements of Comprehensive Income and Cash Flows
- 5% and \$315,000 for the Statement of Financial Position.

	Variance Note	Estimate 2017 \$'000	Actual 2017 \$'000	Actual 2016 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2017 and 2016 \$'000
Statement of Comprehensive Income						
Expenses						
Employee benefits expense		15,053	15,397	15,330	344	67
Supplies and services	1	7,040	6,102	6,313	(938)	(211)
Depreciation and amortisation expense		721	331	391	(390)	(60)
Accommodation expenses		2,294	2,242	2,227	(52)	15
Other expenses		190	74	70	(116)	4
Total cost of services		25,298	24,146	24,331	(1,152)	(185)
Income						
<i>Revenue</i>						
User charges and fees	a	17,686	16,945	18,310	(741)	(1,365)
Other revenue		-	33	36	33	(3)
Total income other than income from State Government		17,686	16,978	18,346	(708)	(1,368)
NET COST OF SERVICES		7,612	7,168	5,985	(444)	1,183
Income from State Government						
Service appropriation		7,181	7,181	7,044	-	137
Services received free of charge		467	474	521	7	(47)
Total income from State Government		7,648	7,655	7,565	7	90
SURPLUS FOR THE PERIOD		36	487	1,580	451	(1,093)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		36	487	1,580	451	(1,093)

Note 26. Explanatory statement (continued)

	Variance Note	Estimate 2017 \$'000	Actual 2017 \$'000	Actual 2016 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2017 and 2016 \$'000
Statement of Financial Position						
ASSETS						
Current Assets						
Cash and cash equivalents		2,640	5,039	4,886	2,399	153
Receivables		8,858	7,008	7,984	(1,850)	(976)
Amounts receivable for services		330	330	390	-	(60)
Other current assets		331	477	423	146	54
Total Current Assets		12,159	12,854	13,683	695	(829)
Non-Current Assets						
Restricted cash and cash equivalents		55	53	-	(2)	53
Receivables		-	-	5	-	(5)
Amounts receivable for services		2,810	2,810	2,419	-	391
Property, plant and equipment	b	426	559	191	133	368
Intangible assets		286	469	193	183	276
Total Non-Current Assets		3,577	3,891	2,808	314	1,083
TOTAL ASSETS		15,736	16,745	16,491	1,009	254
LIABILITIES						
Current Liabilities						
Payables		685	540	962	(145)	(422)
Provisions		2,801	2,784	2,823	(17)	(39)
Total Current Liabilities		3,486	3,324	3,785	(162)	(461)
Non-Current Liabilities						
Provisions		1,168	941	963	(227)	(22)
Total Non-Current Liabilities		1,168	941	963	(227)	(22)
TOTAL LIABILITIES		4,654	4,265	4,748	(389)	(483)
NET ASSETS		11,082	12,480	11,743	1,398	737
EQUITY						
Contributed equity		8,179	8,331	8,081	152	250
Accumulated surplus		2,903	4,149	3,662	1,246	487
TOTAL EQUITY		11,082	12,480	11,743	1,398	737

Note 26. Explanatory statement (continued)

	Variance Note	Estimate 2017 \$'000	Actual 2017 \$'000	Actual 2016 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2017 and 2016 \$'000
Statement of Cash Flows						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation		6,460	6,460	6,323	-	137
Capital appropriations		250	250	300	-	(50)
Holding Account drawdown		390	390	314	-	76
Net cash provided by State Government		7,100	7,100	6,937	-	163
Utilised as follows:						
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits		(14,998)	(15,296)	(15,982)	(298)	686
Supplies and services	c	(6,688)	(6,678)	(6,063)	10	(615)
Accommodation		(1,843)	(1,768)	(1,724)	75	(44)
GST payments on purchases		(810)	(908)	(766)	(98)	(142)
GST payments to taxation authority		(990)	(1,243)	(1,257)	(253)	14
Other payments		(190)	(74)	(70)	116	(4)
Receipts						
User charges and fees	2	16,773	17,854	17,864	1,081	(10)
GST receipts on sales		1,630	1,942	1,900	312	42
GST receipts from taxation authority		170	208	118	38	90
Other receipts		-	33	36	33	(3)
Net cash used in operating activities		(6,946)	(5,930)	(5,944)	1,016	14
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets	d	(640)	(964)	(180)	(324)	(784)
Receipts						
Proceeds from sale of non-current assets		-	-	-	-	-
Net cash used in investing activities		(640)	(964)	(180)	(324)	(784)
Net increase/(decrease) in cash and cash equivalents		(486)	206	813	692	(607)
Cash and cash equivalents at the beginning of the period		3,181	4,886	4,073	1,705	813
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2,695	5,092	4,886	2,397	206

Note 26. Explanatory statements (continued)

Major estimate and actual variance narratives

Statement of Comprehensive Income

1. Supplies and services expense is lower than the estimate by \$938,000 (13.3%). The estimate anticipated an increased usage of contract audit services. This level of increased activity did not eventuate and the level of contract audits expenses is in line with prior years.

Statement of Cash Flows

2. User fees receipts exceeded estimates by \$1,081,000 (6.4%). In the course of the 2016-17 financial year, Government announced its intention to amalgamate a number of government agencies. As a consequence, a number of agencies would cease to exist as legal entities on 30 June 2017. A decision was made to issue interim invoices to these agencies at an earlier stage of the audit process when compared to prior years. A significant number of agencies settled the interim invoicing for 2016-17 prior to the end of the financial year resulting in the reported variance.

Major actual (2017) and comparative (2016) variance narratives

Statement of Comprehensive Income

- a. User charges and fees decreased by \$1,365,000 (7.5%). This is due to the removal of a one off increase in activity reported in the 2015-16 financial year associated with the winding up of training institutes. In addition, reduced activity for the period is reflected in reduced work in progress at year end.

Statement of Financial Position

- b. Property, plant and equipment increased by \$368,000. During the financial year \$554,000 was spent on computer hardware. The Office undertook a 3 year laptop replacement program (\$360,000), firewall replacement (\$136,000) and upgraded LED digital display screens (\$48,000).

Statement of Cash Flows

- c. Payments for supplies and services increased by \$615,000 (10.1%). In the 2015-16 financial year a significant increase in revenue was reported. A component of this increased activity was reflected as increased payables and increased work in progress payable. The actual payments for this increased level of activity were effected in the 2016-17 financial year resulting in the reported variance and reductions in both accounts payable and work in progress payable.
- d. Payments for the purchase of assets increased by \$784,000. During the financial year \$964,000 was spent on the purchase of assets. The Office continued with the implementation of the People and Practice Management Project with \$206,000 spent on the completion of the payroll component of the project and \$164,000 on the timekeeper, reporting and training and development components. In addition, purchases of \$554,000 were made on the upgrade of laptops, replacement of the firewall and the purchase of LED digital display screens.

2017	2016
\$'000	\$'000

Note 27. Financial instruments

Accounting policy

In addition to cash and cash equivalents, the Office has 2 categories of financial instruments: Loans and receivables; and Financial liabilities measured at amortised cost.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method. The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent remeasurement is not required as the effect of discounting is not material.

Financial disclosure

(a) Financial risk management objectives and policies

The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office. The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 27(b) '*Financial instruments disclosures*' and Note 13 '*Receivables*'.

Credit risk associated with the Office's financial assets is minimal because the main receivables are the amounts receivable for services (Holding Account) and audit receivables. The Office does not have any significant credit risk as services are provided only to government agencies. In addition, receivable balances are monitored on an ongoing basis with the result that the Office's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk, other than in respect of government agencies.

2017	2016
\$'000	\$'000

Note 27. Financial instruments (continued)

Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due. The Office is exposed to liquidity risk through its trading in the normal course of business.

The Office has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income or the value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks. The Office is not exposed to interest rate risk because all cash and cash equivalents are non-interest bearing and the Office has no borrowings.

Note 27. Financial instruments (continued)

(b) Financial instrument disclosures

Credit risk

The following table discloses the Office's maximum exposure to credit risk and the ageing analysis of financial assets. The Office's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets (if any). The table is based on information provided to senior management of the Office.

The Office does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Ageing analysis of financial assets

			Past due but not impaired					Impaired financial assets \$'000
	Carrying amount	Not past due and not impaired	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2017								
Cash and cash equivalents	5,039	5,039	-	-	-	-	-	-
Restricted cash and cash equivalents	53	53	-	-	-	-	-	-
Receivables ^(a)	6,867	6,867	-	-	-	-	-	-
Amounts receivable for services	3,140	3,140	-	-	-	-	-	-
	15,099	15,099	-	-	-	-	-	-
2016								
Cash and cash equivalents	4,886	4,886	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables ^(a)	7,871	7,855	7	-	-	9	-	-
Amounts receivable for services	2,809	2,809	-	-	-	-	-	-
	15,566	15,550	7	-	-	9	-	-

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

Note 27. Financial instruments (continued)

Liquidity risk and interest rate exposure

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

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

	Interest rate exposure					Nominal amount \$'000	Maturity dates				
	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000		Up to 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2017											
Financial Assets											
Cash and cash equivalents	-	5,039	-	-	5,039	5,039	5,039	-	-	-	-
Restricted cash and cash equivalents	-	53	-	-	53	53	-	-	-	-	53
Receivables ^(a)	-	6,867	-	-	6,867	6,867	6,867	-	-	-	-
Amounts receivable for services	-	3,140	-	-	3,140	3,140	-	330	-	2,810	-
		15,099	-	-	15,099	15,099	11,906	330	-	2,810	53
Financial Liabilities											
Payables	-	540	-	-	540	540	-	-	-	-	-
		540	-	-	540	540	-	-	-	-	-

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

Note 27. Financial instruments (continued)

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

	Interest rate exposure					Nominal amount \$'000	Maturity dates				
	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000		Up to 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2016											
Financial Assets											
Cash and cash equivalents	-	4,886	-	-	4,886	4,886	4,886	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-
Receivables ^(a)	-	7,871	-	-	7,871	7,871	7,862	-	4	5	-
Amounts receivable for services	-	2,809	-	-	2,809	2,809	-	390	-	2,419	-
		15,566	-	-	15,566	15,566	12,748	390	4	2,424	-
Financial Liabilities											
Payables		962	-	-	962	962	962	-	-	-	-
		962	-	-	962	962	962	-	-	-	-

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

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

2017	2016
\$'000	\$'000

Note 28. 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 performance indicators of the Office with the fee being paid by this Office. Remuneration in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements, controls and key performance indicators	41	39
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Note 29. Special purpose accounts

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

2017	2016
\$'000	\$'000

Note 30. Supplementary financial information

(a) Write-offs

During the financial year, nil (2016: nil) was written-off the Office's accounts receivable ledger under the authority of:

The Accountable Authority	-	-
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(b) Losses through theft, defaults and other causes

Losses of public money and public and other property through theft or default	-	2
Amounts recovered	-	-
	-	2

In the financial year 2015-16, the loss relates to the theft of an Office laptop from a staff member's home. The theft was reported to the police. An insurance claim has been submitted to Riskcover.

(c) Gifts of public property

Gifts of public property provided by the Office	-	-
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Note 31. Disclosure of changes in accounting policies and estimates

Initial application of an Australian Accounting Standard

The Office has applied AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* effective for annual reporting periods beginning on or after 1 July 2016. This Standard has resulted in additional disclosures of related party transactions in the current year.

Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. Where applicable, the Office plans to apply the following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	<i>Financial Instruments (and related revisions to other Standards)</i> This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i> . The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 15	<i>Revenue from Contracts with Customers</i> This Standard establishes the principles that the Office shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Office's income is primarily derived from 'User charges and fees'. The Office has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Other revenue'.	1 Jan 2019
AASB 16	<i>Leases</i> This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Whilst the impact of AASB 16 has not yet been quantified, the Office currently has operating lease commitments for \$2.3m. The Office anticipates most of this amount will be brought onto the statement of financial position at their present value, excepting amounts relating to short-term or low-value leases. Interest and amortisation expense will increase and lease rental expense will decrease.	1 Jan 2019
AASB 1058	<i>Income of Not-for-Profit Entities</i> This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. Income derived from appropriations will be measured under AASB 1058 <i>Income of Not-for-Profit Entities</i> . The Office has not yet determined the potential impact of the Standard.	1 Jan 2019

Certification of Key Performance Indicators

For the year ended 30 June 2017

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 2017.



COLIN MURPHY FCPA FCA
ACCOUNTABLE AUTHORITY
27 July 2017

Performance Indicators

The Office of the Auditor General exists to serve the public interest by providing Parliament with independent and impartial information regarding public sector accountability and performance. This Office reports directly to Parliament and ultimately the people of Western Australia.

Our desired outcome, '*an informed Parliament on public sector accountability and performance*', is consistent with the government goal Financial and Economic Responsibility – Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

Key Effectiveness Performance Indicator

The key effectiveness performance indicator is:

The extent that the Office of the Auditor General is effective in informing Parliament about public sector accountability and performance is measured by the number of tabled reports compared to targets for each of the following categories of audit matter:

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

Table 20 shows our actual result for the preceding 4 years, and our performance against the 2016-17 target.

Report type	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2016-17 Target	Target over 3 years
Service delivery	4	5	4	7	4	5	15
Economic development	2	4	2	3	1	3	9
Social and environment	3	2	2	2	1	3	9
Governance	15	15	12	17	20	16	42
Total	24	26	20	29	26	27	75

Table 20: Key effectiveness performance indicator 2012-13 to 2016-17

A crucial element of this key performance indicator is the establishment of a 3 year target for each category of report. The current target over 3 years encompasses the financial years 2015-16 to 2017-18. While the Office aims to meet its report targets, we are also concerned with the quality of our reports and will not sacrifice this requirement in order to achieve a quantitative measure.

Our topic selection process aims to provide Parliament with advice and assurance across all 4 categories of public sector activity. Our targets are one factor in our selection of topics. Other factors include the significance of identified issues and matters referred to us by Parliament. For this reason, our category targets may not always be met in any 1 year.

The increase in the number of governance reports compared to the target was due to a significant increase in the number of ministerial notifications under section 82 of the Financial Management Act. The reviews of these notifications take priority over planned reports and resulted in 7 reports for the year.

Key Efficiency Performance Indicators

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

Our key efficiency performance indicators are:

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

Efficiency indicator	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2016-17 Target
Total audit cost per million dollars of gross government expenditure	\$497	\$472	\$509	\$479	\$449	\$483
Attest (financial) audit cost per million dollars of gross government expenditure	\$373	\$355	\$370	\$354	\$328	\$338
Performance audit cost per million dollars of gross government expenditure	\$124	\$117	\$139	\$125	\$121	\$145
Average number of days taken after balance date to issue financial audit opinions	70.8 days	69.1 days	67.0 days	66.2 days	65.5 days	68.0 days

Table 21: Key efficiency performance indicators 2012-13 to 2016-17

The gross government expenditure value incorporates total public sector expenditure together with expenditure by universities, superannuation boards and other entities we audit but whose expenditure is not reported within total public sector expenditure. The estimated actual total public sector expenditure from the Government Mid-Year Financial Projections Statement is used rather than actual total public sector expenditure as the actual results are not available at the time these key performance indicators are produced. The estimated total public sector expenditure is considered a reasonable estimate of actual total public sector expenditure.

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

The decrease in total audit cost per million dollars of gross government expenditure in 2016-17 compared to the prior year was mainly due to a 6.0% increase in gross government expenditure.

The decrease in total audit cost per million dollars of gross government expenditure in 2016-17 compared to the target was due to the Office's expenditure being 4.6% lower than the budget estimate and a 2.7% increase in gross government expenditure compared to the budget.

The attest (financial) audit cost per million dollars of gross government expenditure in 2016-17 was lower than the prior year mainly due to the 6.0% increase in gross government expenditure.

The performance audit cost per million dollars of gross government expenditure is significantly lower than the target. The 2016-17 target for performance audit costs was based on an Office strategy of directing 30% of overall audit effort towards performance audits. The actual result was 27.0%. The desired strategy was not achieved due to fewer staffing resources being available for performance audits.

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 of an agency. Accordingly, the Office has adopted an efficiency indicator which measures the average number of days taken after balance date to issue financial audit opinions. Our target has been set with regard to this statutory requirement for all financial audits.

The favourable variance between 2016-17 actual and target is due to agencies preparing financial statements and key performance indicators in a more timely manner and efficiency improvements achieved in the audit process.

Other financial disclosures

Pricing policies

We have based our fee model on our legislation and Department of Treasury guidelines. Using this model, we invoice agencies only for financial audits. However, our fees also incorporate a loading to recover one-third of our narrow scope performance audits, the focus of which is on governance and has a strong relevance to financial accountability.

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. The model also assumes:

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

Capital works

During 2016-17, we continued our ongoing asset replacement program. Capital projects this year included:

- laptop replacement program (\$360,000)
- firewall replacement (\$136,000)
- upgraded LED digital display screens (\$48,000)
- implementation of new HR system (\$206,000 – completion of payroll component and \$164,000 – timekeeper, reporting, and training and development components).

Staff profile

	At June 2017	At June 2016
Full time permanent	107	106
Full time contract	14	11
Part time permanent	12	12
Part time contract	2	4
On secondment into OAG	4	3
Total	139	136

Table 22: OAG staff profile

Staff development

We are committed to the development of our people and have an extensive program that delivered in excess of 9,800 hours of in-house and external training. As the result of our commitment to professional development and staff training we are recognised by CPA Australia and Chartered Accountants Australia and New Zealand. More information on our program is outlined in the Learning and Professional Development section (page 18).

Workers compensation

During the financial year no compensation claims were recorded. This is the same as in 2015-16 when no compensation claims were recorded.

Governance disclosures

Contracts with senior officers

At the date of reporting, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with OAG other than normal contracts of employment of service.

Other employment

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

At no time while acting as the Auditor General or since my appointment to that office have I engaged in any paid employment outside the duties of my office. I am also a member of the State Records Commission, as authorised by the State Records Act 2000, section 58n(a).

– Colin Murphy.

Unauthorised use of credit cards

OAG officers hold corporate credit cards where their functions warrant use of this facility. During the financial year there was no use of credit cards for unauthorised purposes.

Other legal requirements

Expenditure on advertising

In accordance with s175ZE of the *Electoral Act 1907*, OAG incurred the following expenditure in recruitment advertising, conducting surveys and our contribution to the ACAG benchmarking survey. The total expenditure for 2016-17 was \$73,229.69.

Expenditure occurred in the following areas (ex-GST):

Expenditure	Total
Advertising:	
Adcorp	\$1,042.19
Surveys:	
Survey Monkey	\$600.00
Orima	\$71,587.50

Table 23: OAG expenditure on advertising

Disability Access and Inclusion Plan

This year we endorsed our Disability Access and Inclusion Plan (DAIP) 2017-2021. While our products and services are not specifically targeted at people with disability we are committed to ensuring that they, their families and carers have ready access to our services, information and facilities.

Additionally, we are committed to ensuring that people with disability have the same opportunities to obtain and maintain employment with us. We as standard practice, review our recruitment processes to address any barriers to access and inclusion in employment. For employees with existing or emerging disabilities, we work with them and their health professionals to support their work and contribution to OAG.

We report progress of our DAIP to the Disability Services Commission annually. This year we reported on 23 strategies across 7 outcomes, all of which have been implemented, 7 of which rated as highly effective. We also present this information to employees and Executive regularly.

Outcome	Strategies
Outcome 1 People with disability have the same opportunities as other people to access the services of, and any events organised by OAG.	Ensure people with disability have an opportunity to comment on access to services.
	Monitor and redevelop an Access and Inclusion Policy to support equitable access to services.
	Incorporate DAIP objectives in strategic business planning, budgeting processes, procedures and policies.
	Ensure employees awareness of our DAIP, relevant policies and strategies.
	Ensure accessibility to events conducted by, or on behalf of the OAG.
Outcome 2 People with disability have the same opportunities as other people to access the buildings and other facilities of OAG.	Ensure office accessibility is maintained to meet legislative and access standards.
	Ensure signage is clear and easy to read.
	Information access options are available.
	Parking – close to public transport, parking and taxi stands.

Outcome	Strategies
Outcome 3 People with disability receive information from OAG in a format that will enable them to access the information as readily as other people are able to access it.	Community awareness of information availability in alternative formats upon request.
	Improve employee awareness of: <ul style="list-style-type: none"> • accessible information needs • obtaining information in other formats.
	Ensure specialist support is available at meetings when requested.
	Ensure web page design incorporates W3C Web Content Accessibility guidelines.
	Office receptionists are adequately trained in client service for people with disability.
	Ensure printed information accessibility for people with disability.
Outcome 4 People with disability receive the same level and quality of service from our employees as other people.	Employee awareness raising of disability, access issues and relevant legislation through regular professional development.
	Ensure client service skills for people with disability.
	Raise new employees awareness of disability, access issues and relevant legislation.
Outcome 5 People with disability have the same opportunities as other people to make complaints to OAG.	Ensure accessibility of OAG's referral system and policy.
	Ensure employee capability to support complaints from people with disability.

Outcome	Strategies
<p>Outcome 6</p> <p>People with disability have the same opportunities as other people to participate in any public consultation we may carry out.</p>	<p>Ensure public consultation processes are available to people with disability, their families and carers.</p>
<p>Outcome 7</p> <p>People with disability have the same opportunities as other people to obtain and maintain employment with a public authority.</p>	<p>Employment processes are open, transparent and free from bias.</p> <p>Employee needs are assessed and met for episodic and long-term disability.</p>

Table 24: Disability Access and Inclusion Plan 2017-2021

Compliance with public sector standards and ethical codes

Our policies and procedures are designed to meet compliance requirements of public sector standards, public sector code of ethics and public sector standards in human resource management. Our own Code of Conduct specifies appropriate standards of employee behaviour, with direct relevance to our unique role and responsibilities, and our audit employees must also adhere to professional standards required of auditors.

We inform our employees of these standards and requirements on commencement, as part of the induction process; publishing documents on our intranet; and regular information sharing sessions for all employees.

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

There were no breaches of standards lodged in the past year.

Records management

In compliance with the *State Records Act 2000* our Recordkeeping Plan provides an accurate reflection of our recordkeeping systems, disposal programs, policies and procedures. It is currently under review which will be completed in 2017-18. The plan acknowledges our responsibility to ensure all employees are aware of their compliance responsibilities and provided with training in these areas.

In 2016-17, all new staff completed mandatory e-learning courses in Recordkeeping Awareness and attended instructor-led information management systems training. Once a year, we run a specialised graduate training program, educating graduates on their recordkeeping responsibilities and how to use information systems to ensure compliance.

Over the year 752 internal ServiceDesk requests were received and resolved in a timely manner. By using ServiceDesk, we are able to track and report on common issues, and implement changes to systems. We can also provide focused training sessions, for specific user groups or individuals, on issues or emerging topics.

To complement our formal instructor-led training, employees have access to interactive online multimedia training presentations, video demonstrations and quick reference guidebooks. Our mix of formal, informal and self-guided training packages has proven to be both effective and appreciated by employees. We regularly review training and support programs to ensure compliance with the *State Records Act 2000*.

We developed a secure document exchange system, OAG Portal, to facilitate the electronic transmittal and delivery of documents and other audit correspondence in a more timely and efficient process. The system has 305 active users from 200 agencies, committees and ministerial offices. We received 160 external ServiceDesk requests on the portal, which we resolved in a timely manner.

We conducted a review and risk assessment of our offsite storage management processes and facilities, resulting in the decision to store all records in a centralised location. We identified and successfully transferred 152 boxes to the location.

Government policy requirements

Occupational safety and health and injury management

Occupational safety and health (OSH) is a priority for us at all times and we are committed to providing and maintaining a safe and healthy work environment. We are fortunate that our employees work in a very low risk environment but we do not take this for granted. All employees receive online OSH training and we have designated and trained OSH safety officers.

All practices comply with our legislative responsibilities under the *Occupational Safety and Health Act 1984*, *Workers' Compensation and Injury Management Act 1981* and all policy requirements in Western Australia.

We had no OSH incidents this year and maintained our target of 90% of managers trained in their OSH responsibilities.

Measure	Actual results		Target
	2014-15 ¹	2016-17 ²	
Number of fatalities	0	0	0
Lost time injury and/or diseases incident rate	0	0	0 or 10% reduction ³
Lost time injury and/or disease severity rate	0	0	0 or 10% reduction ³
Percentage of injured workers returned to work: i. within 13 weeks ii. within 26 weeks	n/a	n/a	Greater than or equal to 80%
Percentage of managers trained in occupational safety, health and injury management responsibilities	90%	90%	Greater than or equal to 80%

Table 25: Our OSH performance in 2016-17 against targets

1. This indicator examines a 3-year trend and as such the comparison base is to be 2 years prior to the current reporting period.
2. The current reporting year is 2016-17.
3. The reduction may be calculated over a 3 year period.

Appendix 1: Our strategic progress

Executive endorsed our Strategic Plan in February 2016. The actions contained in the plan are either standalone or included and cross-referenced to a key corporate document: business unit operational plans, Workforce Development Plan, Information Technology Plan and Communications Plan. Progress against the plan was reported to Executive at their strategic planning day in May 2017. Overall, we achieved 73% of our Strategic Plan targets. At this time, Executive also reviewed the plan and where we had not met our targets discussed ways to improve our performance. Amendments discussed at the meeting will be incorporated into the plan and assessed next year. Appendix 1 outlines our performance against the Strategic Plan at May 2017.

Our People – Motivated, Innovative, Collaborative, Accountable, Valued, Skilled, Knowledgeable				
Outcomes	Strategies	Actions	Measure (Target)	Target met
An appropriately skilled workforce capable of meeting current and future business needs	Maintain an environment where learning opportunities are readily available; employees actively pursue learning; and acquired learning can be applied	Develop a PD Plan that includes an appropriate mix of innovative training and development initiatives as part of a structured learning program for employees	<ul style="list-style-type: none"> Pass rate of employees sitting CPA/CA exams (100%) 	✗
	Maintain a meaningful employee performance review process	Close the loop on staff training/development identified in PDRs (is it being appropriately actioned)	<ul style="list-style-type: none"> Results of online compliance training (100%) 	✓
	Ensure flexible, adaptive recruitment, contracting and employment arrangements to match work skills with demand	Develop a pool of PA contractors, which would also assist for unplanned work such as s82s or PIDs	<ul style="list-style-type: none"> Number of reports where we use a contractor – not subject matter expert (1 per year) 	✓
		Design job advertisements to attract the right applicants, at optimal times, via proven forums	<ul style="list-style-type: none"> PDRs – delivery of training identified and approved (100%) 	✓
High performing people who contribute to strategic objectives	Invest in organisational capability that will give the OAG a long-term benefit	Develop and implement a Workforce Development Plan that is aligned with the strategic plan of the Office	<ul style="list-style-type: none"> Workforce Development Plan actioned (above 95% current year initiatives actioned) 	✓
	Empower staff to complete all of their responsibilities on an audit or business project	Develop a suite of succession planning activities such as HDA opportunities, knowledge transfer and, where appropriate, other development, to prepare staff for promotion/advancement	<ul style="list-style-type: none"> PDR completion rate (report to Executive annually shows 90% completed) 	✗
	Encourage innovation and acknowledge staff for being innovative in their approach	Provide support and training for staff throughout the audit to enable them to perform all of their responsibilities without significant rework from others	<ul style="list-style-type: none"> Auditors provided with identified training and awareness specific to assigned audits (100%) 	✓
		Develop and implement annual innovation strategies to promote and encourage innovative thinking		

Our People – Motivated, Innovative, Collaborative, Accountable, Valued, Skilled, Knowledgeable

Outcomes	Strategies	Actions	Measure (Target)	Target met
A work environment that is recognised as a workplace of choice	Assist staff wishing to undertake relevant further studies	Support staff completing their studies	<ul style="list-style-type: none"> Successful exam results achieved by our staff, further enhancing their career opportunities (85% pass their exams on first attempt) 	✓
	Provide opportunities for professional growth within the OAG	Coordinate an effective program of internal secondments to other business units		<ul style="list-style-type: none"> Number of secondments and internal rotations supported, encouraging career progression and growth (100% of business units make available internal rotation opportunities)
		Deliver a quality PD program that considers the unique needs of our workforce and has professional regard for the work of our staff	✓	
	Provide national and international secondment opportunities	Establish a program and selection criteria for short term secondments to other Australian audit offices for periods of 1 to 2 months	<ul style="list-style-type: none"> Constructive and engaged PD feedback recognising importance to career development (85% formal PD feedback recognises value of PD through suggestions for further opportunities or positive comments) Number of secondments to other audit offices supported, promoting career development and personal/family life experience opportunities (85% of secondment requests that meet the criteria supported) 	✓
	Ensure a safe and healthy working environment	Develop and implement annual health and wellness strategies to promote and encourage a safe, friendly and healthy work environment		✓

Our Tools – Robust, Efficient, User-Friendly, Flexible, Agile, Reliant, Compliant

Outcomes	Strategies	Actions	Measure (Target)	Target met
Efficient, effective and responsive business operations that meet current and emerging needs	Work within a framework and governance structure which is current and effective	Review policies and monitor compliance and legislative changes and communicate these to the business	• OAG policy framework (100% of policies on the intranet are current)	✓
		Review the complete policy framework	• Communicate policy changes (100% of policies reviewed published on the intranet within 1 week of Executive approval)	✓
		Have an efficiency and effectiveness plan in place and reported against	• Staff awareness (staff refresher policy sessions conducted twice a year)	✗
	Respond effectively to changes in our environment by maintaining a strategic focus	Reporting regularly on progress towards strategic initiatives and facilitate a timely and appropriate response to environmental changes	• Strategic meetings (to be held at least twice yearly)	✓
	Maintain an appropriate and effective approach to risk management	Review our Risk Management Framework and report changes in our risk to Executive in a timely manner	• Risk framework (risk considered at each monthly Executive meeting)	✓
	Ensure accurate and reliable technical advice is available	Have process in place for staff to seek technical advice		
		Have policies and direction in place to seek external advice as required		

Our Tools – Robust, Efficient, User-Friendly, Flexible, Agile, Reliant, Compliant

Outcomes	Strategies	Actions	Measure (Target)	Target met
Sound information systems that support operational needs	Ensure IT systems are efficient, effective and supported	Effectively address business needs of a mobile workforce	<ul style="list-style-type: none"> Hardware and software is made available when and how the business and staff need it (less than 2 days per year when impact to operations exceed 2 hours) Progressive and responsive IT Plan (above 95% current year initiatives completed, addressing existing and emerging business requirements) Progressive and responsive online communications plan (above 95% current year initiatives completed, addressing existing and emerging business requirements) 	✓
	Capitalise where possible on our existing systems to improve our business operations	Investigate all hardware and software requests against a matrix that considers existing tools against the strategic objectives and business requirements, to avoid the duplication, unnecessary expense and disruption to the business		✗
	Have an approach to IT that recognises and addresses operational and strategic business requirements	<p>Develop and implement an IT strategic plan and Online Communications Plan that align with the Strategic Plan and actively consider individual and OAG goals</p> <p>Regularly review decisions of Executive to identify any potential IT requirements that may impact OAG's ability to deliver on business goals – ensuring the business has the tools it needs</p>		✓
	Continuously improve internal and external accessibility and useability of our tools	Investigate benefit/cost of cloud solutions		
Sound financial management of our business	Maintain a strong, sound and transparent financial management approach	Concerted effort to minimise costs and non-essential activities - ensuring our efforts are aligned with business goals and taking into consideration emerging business needs	<ul style="list-style-type: none"> Internal budget activity minimising costs while aligned with business goals (variance from budget less than 10% for business units at year end. Greater variances addressing business goals accepted with explanation) Business intelligence availability (95% accuracy of information contained in monthly management report) Internal and external audit reports with generally positive findings (accepted recommendations addressed within agreed timeframes) 	✓
	Use accurate business data that informs management decision-making	<p>Establish a process for internal budget revisions at least quarterly</p> <p>Include a budgeting and resourcing item at each Executive strategic planning meeting</p>		✓
	Continuously improve our processes to ensure quality and compliance of internal financial management practices	Effectively implement external and internal audit recommendations		✗

Our Tools – Robust, Efficient, User-Friendly, Flexible, Agile, Reliant, Compliant				
Outcomes	Strategies	Actions	Measure (Target)	Target met
Audit methodology tools are current, reliable and compliant	Ensure our methodology remains current and compliant	Identify and action improvement opportunities through post audit reviews ensuring compliance with standards	• Post audit reviews (100% of post audit reviews conducted)	
		Ensure changes to auditing and assurance standards are reflected in our audit methodology	• Audit methodology improvement opportunities (100% of issues identified and agreed are implemented)	
		Obtain a revised mapping of the auditing standards for IPSAM upon completion of the new version of IPSAM	• Changes to standards (100% of changes considered relevant are implemented by the date the audit report is finalised)	
		Review subsequent versions of the PCAM which considers the recommendations from the TAQ mapping of the auditing standards		

Our Approach – Consistent, Fair and Balanced, Independent, Transparent, Pragmatic, Professional, Contemporary

Outcomes	Strategies	Actions	Measure (Target)	Target met
Audits completed in accordance with auditing and professional standards	Maintain a contemporary and quality audit approach	Implement a program of internal and external QAs which covers key audit operations at least once every 3 years	<ul style="list-style-type: none"> • QA review outcomes (reviews to be held at least once every 3 years) • QA review outcomes (no incorrect audit opinions or conclusions issues) 	n/a
		Through ongoing relationships with ACAG and professional bodies, actively identify and consider emerging developments in public sector auditing		
		Prepare for likely implementation of audits for local government sector		
	All reports to go through the OAG quality framework	Develop and report against the QA plan and framework and ongoing QA activities undertaken		
Relationships with audit clients professionally managed	Communicate, consult and develop quality relationships with clients	Appropriately inform clients about audit plans, process and activities	<ul style="list-style-type: none"> • Audit client surveys (achieve a result in top quartile) • Referrals and enquiries (100% addressed within target) 	<ul style="list-style-type: none"> ✓ ✗
Our reputation for independence, integrity and impartiality is maintained	Further enhance transparency and accountability of our topic selection process and outcomes	AAGs PA and ISPA meet with agency DGs to discuss audit topics and any other issues	<ul style="list-style-type: none"> • External opinion (zero serious allegations against Auditor General independence) • Website statistics (increased number of hits on forward audit program than prior year) • Communications Plan (above 95% current year initiatives completed) 	✓
		Enhance public reporting of OAG forward audit program via the website and other communication channels		
	Continuously reinforce to staff the OAG principles of independence, integrity and impartiality	Develop internal communication plan that addresses principles of independence, integrity and impartiality		✗
	Maintain an awareness of the external perception of the OAG	Monitor external feedback (including Hansard, media monitoring, referrals and surveys) and take action where required		✓

Our Approach – Consistent, Fair and Balanced, Independent, Transparent, Pragmatic, Professional, Contemporary

Outcomes	Strategies	Actions	Measure (Target)	Target met	
A well informed parliament and public	Set clear expectations and communicate our role and purpose to Parliament, agencies and the community	Develop and implement an external communications strategy that is aligned with the OAG strategic plan	<ul style="list-style-type: none"> Progress towards initiatives (above 95% current year initiatives completed) 	✓	
		Provide timely and relevant information to Parliament	<ul style="list-style-type: none"> Delivery of briefing material (100% committee and MP briefing notes submitted on time and accurate) 	✓	
		Provide further detail of OAG reviews and outcomes in the annual report and website	<ul style="list-style-type: none"> Parliamentary surveys (positive response rate equal to or greater than prior year) 	✓	
	Identify and implement strategies to address Parliament's needs and expectations	Review and address issues identified through the annual survey of parliamentarians			
	Prepare for performance and legislative reviews	Facilitate the review as required	<ul style="list-style-type: none"> Review outcomes (reviews to be held once every 5 years) 	n/a	

Our Products – Value for Money, Timely, Relevant, Accurate, Quality, Innovative

Outcomes	Strategies	Actions	Measure (Target)	Target met
Timely, relevant and quality reports on public sector performance and accountability	Table reports on time and on budget	Develop key deliverable schedules for reports to ensure tabling is on time, eliminating the 'bottlenecks' and reducing opportunities for human error	<ul style="list-style-type: none"> Reporting KPIs – category targets (meet target for tabling of number of reports by category) 	✓
		Provide in depth training in report writing for key staff to make the process more efficient	<ul style="list-style-type: none"> Training delivered (100% of identified training to be delivered) 	✓
		Analyse issues and action initiatives to address the issues which create the bottlenecking of report tabling dates	<ul style="list-style-type: none"> Internal tabling targets (meet internal per quarter tabling targets) 	✗
Value for money reporting that address issues of public interest	Use benchmarking to ensure audit costs reflect value for money	Benchmark our audit fees with other jurisdictions and audit firms more formally to provide to the parliamentary committees when/if required	<ul style="list-style-type: none"> Clients survey (top quartile in relation to value for money section of survey) 	✗
	Produce reports that are considered valuable and relevant to Parliament	Consider all requests and topic ideas from members of Parliament in topic selection process and provide feedback on intent to conduct audit or not to relevant MP or committee	<ul style="list-style-type: none"> Parliamentary survey (top quartile in relation to value of reports section of survey) 	✓
		Consider significant state budget changes since the last topic selection process	<ul style="list-style-type: none"> Reports (less than 10% of reports exceed approved time and budget) 	✗
	Ensure that the right audit product (broad scope/narrow scope/AGBA) is selected to achieve value for money	Actively consider the product type (broad scope/narrow scope/AGBA) as part of topic selection and PAR process	To inform future audit program, determine as part of post audit review if the right product (broad scope/narrow scope/AGBA) was used	<ul style="list-style-type: none"> Correspondence to MPs or committees regarding topic requests (100% feedback to MPs and committees)

Our Products – Value for Money, Timely, Relevant, Accurate, Quality, Innovative

Outcomes	Strategies	Actions	Measure (Target)	Target met
Reports and opinions that lead to improved public sector performance and accountability	Include consideration of topics important to agencies when developing forward audit program	Use intelligence gained through our interactions with agencies, including internal audit committees, as input into topic selection	<ul style="list-style-type: none"> Plain English Foundation review rating (Plain English Foundation review of OAG reports and documents rated as better than 70 [Very good]) 	n/a
	Ensure clearly articulated and accessible report findings and recommendations	Develop and implement an external communications strategy that promotes report findings and opinions to agencies and other stakeholders, and is aligned with our Strategic Plan	<ul style="list-style-type: none"> Communications Plan (above 95% current year initiatives completed) 	✓
		Provide training in report writing to improve key messaging and report structure skills	<ul style="list-style-type: none"> Parliament surveys (improved result on prior year) Client surveys (improved result on prior year) Agencies completing audit recommendations (at least 50% of our recommendations have been actioned by agencies) 	✓ ✗ ✓

Appendix 2: Audit clients for 2016-17 financial year

Audits under *Financial Management Act 2006*

Departments

Commissioner for Equal Opportunity
Department for Child Protection and Family Support
Department of Aboriginal Affairs
Department of Agriculture and Food
Department of Commerce
Department of Corrective Services
Department of Culture and the Arts
Department of Education
Department of Education Services
Department of Environment Regulation
Department of Finance
Department of Fire and Emergency Services
Department of Fisheries
Department of Health
Department of Housing
Department of Lands
Department of Local Government and Communities
Department of Mines and Petroleum
Department of Parks and Wildlife
Department of Planning
Department of Racing, Gaming and Liquor
Department of Regional Development

Department of Sport and Recreation
Department of State Development
Department of the Attorney General
Department of the Legislative Assembly
Department of the Legislative Council
Department of the Premier and Cabinet
Department of the Registrar, Western Australian Industrial Relations Commission
Department of the State Heritage Office
Department of Training and Workforce Development
Department of Transport
Department of Treasury
Department of Water
Governor's Establishment
Mental Health Commission
Office of the Commissioner for Children and Young People
Office of the Director of Public Prosecutions
Office of the Environmental Protection Authority
Office of the Government Chief Information Officer
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
Road Safety Commission
State Emergency Management Committee Secretariat
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 High School Hostels Authority
Country Housing Authority
Curtin University of Technology
Disability Services Commission
East Metropolitan Health Service
Economic Regulation Authority
Edith Cowan University
Fire and Emergency Services Superannuation Board
Forest Products Commission
Gaming and Wagering Commission of Western Australia

Gascoyne Development Commission
Gold Corporation
Goldfields-Esperance Development Commission
Government Employees Superannuation Board
Great Southern Development Commission
Health and Disability Services Complaints Office
Health Support Services
Heritage Council of Western Australia
Housing Authority
Insurance Commission of Western Australia
Keep Australia Beautiful Council (W.A.)
Kimberley Development Commission
Landcare Trust
Law Reform Commission of Western Australia
Legal Aid Commission of Western Australia
Legal Contribution Trust
Legal Costs Committee
Local Health Authorities Analytical Committee
Lotteries Commission
Metropolitan Cemeteries Board
Metropolitan Redevelopment Authority
Mid West Development Commission
Minerals Research Institute of Western Australia

Murdoch University
North Metropolitan Health Service
North Metropolitan TAFE
North Regional TAFE
Parliamentary Inspector of the Corruption and Crime Commission
Peel Development Commission
Perth Market Authority
Perth Theatre Trust
Pilbara Development Commission
Potato Marketing Corporation of Western Australia
Professional Standards Council
Public Transport Authority of Western Australia
Public Trustee
Quadriplegic Centre Board
Racing and Wagering Western Australia
Racing Penalties Appeal Tribunal of Western Australia
Rottnest Island Authority
Rural Business Development Corporation
School Curriculum and Standards Authority
ScreenWest Inc
Small Business Development Corporation
South Metropolitan Health Service
South Metropolitan TAFE
South West Development Commission
State Supply Commission
Swan Bells Foundation Inc
The Aboriginal Affairs Planning Authority
The Anzac Day Trust
The Board of the Art Gallery of Western Australia

The Burswood Park Board
The Coal Miners' Welfare Board of Western Australia
The Library Board of Western Australia
The National Trust of Australia (W.A.)
The Queen Elizabeth II Medical Centre Trust
The University of Western Australia
The Western Australian Museum
Trustees of the Public Education Endowment
WA Country Health Service
Western Australian Building Management Authority
Western Australian Coastal Shipping Commission
Western Australian Energy Disputes Arbitrator
Western Australian Greyhound Racing Association
Western Australian Health Promotion Foundation
Western Australian Institute of Sport
Western Australian Land Information Authority
Western Australian Meat Industry Authority
Western Australian Planning Commission
Western Australian Sports Centre Trust
Western Australian Tourism Commission
Western Australian Treasury Corporation
Wheatbelt Development Commission
WorkCover Western Australia Authority
Zoological Gardens Authority

Subsidiaries

Advara Ltd
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 College Properties Pty Ltd
Murdoch Retirement Services Ltd
Murdoch University Foundation
Murdoch University Veterinary Centre Trust
The University Club of Western Australia Pty Ltd
UWA Accommodation Services Pty Ltd

Request audits

Alan and Iris Peacocke Research Foundation
Perth USAsia Centre Pty Ltd
Tertiary Institutions Service Centre (Inc)
The Delegate to the Queen Elizabeth II Medical Centre Trust

Audits under other legislation

Cemeteries Act 1986

Albany Cemetery Board
Bunbury Cemetery Board
Chowerup Cemetery Board
Dwellingup Cemetery Board
Geraldton Cemetery Board
Kalgoorlie-Boulder Cemetery Board

Port Authorities Act 1999

Fremantle Port Authority
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
Independent Market Operator
Synergy – Electricity Generation and Retail Corporation
Water Corporation
Western Australian Land Authority
Western Power – Electricity Networks Corporation

Subsidiaries

South West Cogeneration Joint Venture
South West Hub Joint Venture
South West Hub Pty Ltd
Vinalco Energy Pty Ltd
Vinalco Energy Trust

Appendix 3: Glossary

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

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

Agency means a department, a sub-department or a statutory authority as defined in the *Financial Management Act 2006*.

Annual Report on State Finances is a report prepared in accordance with the *Government Financial Responsibility Act 2000* that provides the state's public sector financial results for the financial year and outlines material differences between these results and the financial forecasts contained in the State Budget for that financial year.

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

Audit includes to examine, investigate, inspect and review.

Auditor General's report is the vehicle used to report to Parliament the results of audits and examinations conducted under sections 12 to 20 of the *Auditor General Act 2006*.

Clear audit opinion is expressed when the audit concludes, based on the audit evidence obtained, that, in all material respects, the financial statements are free from material misstatement, the key performance indicators are relevant and appropriate and fairly represent indicated performance, or controls are adequate.

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

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

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

Effectiveness indicators are key performance indicators that provide information on the extent to which agency level government desired outcomes have been achieved, or contributed to, through the delivery of services.

Efficiency indicators are key performance indicators that generally relate services to the level of resource inputs required to deliver them.

Financial statements are a structured set of financial information including explanatory notes derived from accounting records to communicate for a period of time an entity's financial performance and cash flows, and at a point of time its financial position, that is useful to a wide range of users in making economic decisions.

A **follow-up audit** reviews the extent to which recommendations from the previous performance audit have been implemented, generally 3 to 5 years after tabling a report.

A **follow-on audit** examines the progress in implementing recommendations from a previous report and has additional scope in covering significant issues or developments in the area or activity.

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

Key performance indicator audit is an audit performed to enable an opinion to be expressed about whether or not the key performance indicators are relevant and appropriate having regard to their purpose and fairly represent indicated performance.

Management letter is a letter to senior management of an agency or other entity that conveys the audit findings and results of an audit. It may include recommendations for improvements in controls and other matters.

Matters of significance (MoS) are the 'key messages' in Auditor General's reports defined as the issues a general parliamentary reader would take away from the report after the detail of specific findings and recommendations has receded into the background.

Outcomes are the effect, impact, result on or consequence for the community, environment or target clients of government services.

Performance audits are audits that examine efficiency and effectiveness of public sector agencies or specific areas within an agency or across a number of agencies.

Service means the supply of an activity or good to a user external to the entity providing the service. Services comprise programs and outputs.

Statutory authority means a person or body specified in Schedule 1 of the *Financial Management Act 2006*. These agencies are established by Parliament under legislation for specified purposes.

Sub-department means an entity in respect of which a declaration under section 56(2) of the *Financial Management Act 2006* has effect.

Treasurer's Instructions are prescribed requirements at a minimum level with respect to matters of financial administration that have the force of law and must be observed by public sector agencies under the *Financial Management Act 2006*.

Over 180 years of audit in Western Australia

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

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

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

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

Western Australia has had 18 Auditors General.

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

Office of the Auditor General for Western Australia

Street address:

7th Floor, Albert Facey House
469 Wellington Street Perth

Mail to:

Perth BC, PO Box 8489
Perth WA 6849

T: 08 6557 7500

E: info@audit.wa.gov.au

W: www.audit.wa.gov.au



Follow us on Twitter [@OAG_WA](https://twitter.com/OAG_WA)