



Annual Report

2020-2021





Vision

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

Mission

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

Values

Integrity – Quality – Service

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

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

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

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Welcome

Welcome to the Office of the Auditor General's Annual Report 2020-2021.

We trust this report is valuable in describing our performance and the services we delivered during the year to inform Parliament on public sector accountability and performance. You can access this and earlier annual reports on our website at www.audit.wa.gov.au.

We have structured this report around our Strategic Plan and the 4 result areas – our people, tools, approach and products. It also describes our functions and operations, and presents the audited financial statements and key performance indicators for the year ended 30 June 2021.

Feedback

So we can improve the value of future annual reports we welcome feedback and comments. You can contact us by:

- emailing info@audit.wa.gov.au
- writing to PO Box 8489 PERTH BC WA 6849.



THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

ANNUAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2021

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 2021.

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

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

Caroline Spencer
Auditor General
16 September 2021

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About us

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

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

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

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

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

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

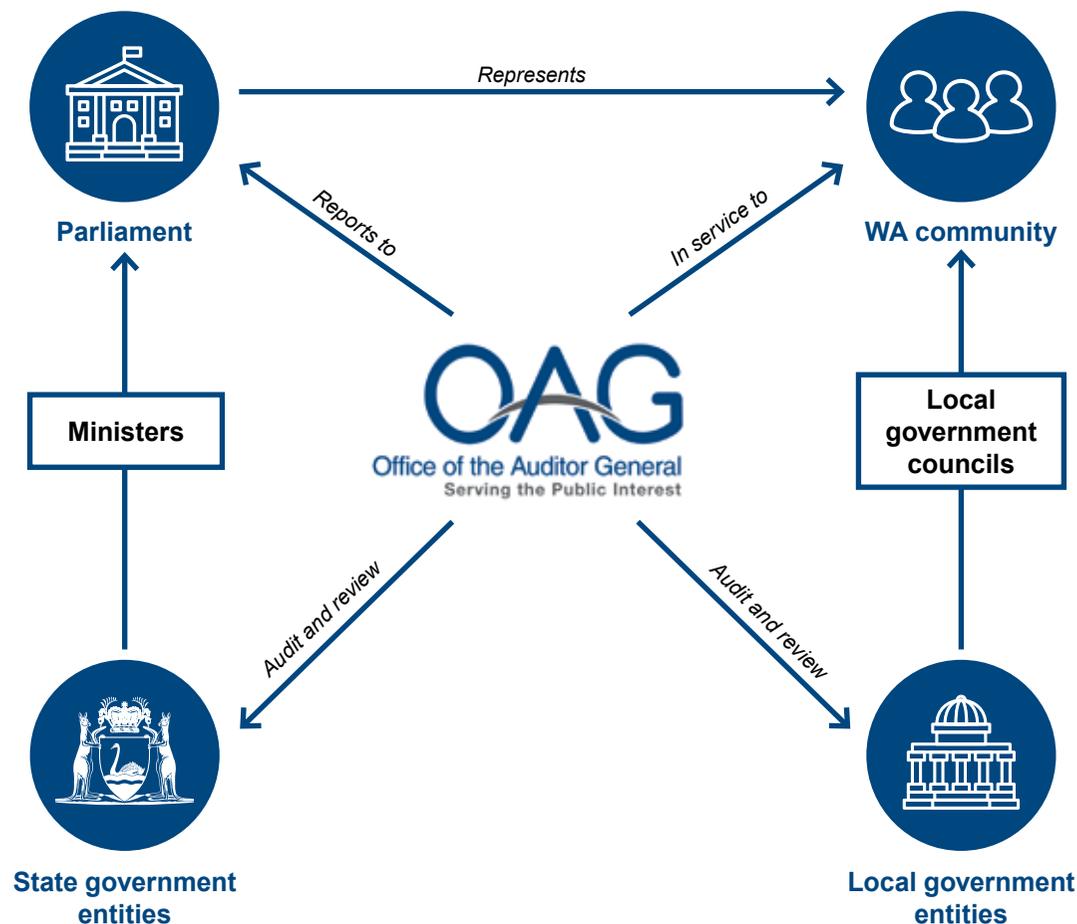


Figure 1: OAG reporting structure to Parliament

Our responsibilities

The Auditor General is responsible for:

- auditing the Annual Report on State Finances
- conducting annual financial statement, key performance indicator and control audits, and issuing audit opinions for State government entities including departments, statutory authorities, tertiary institutions and corporatised entities
- conducting annual financial statement audits and issuing auditor's reports for local government entities
- undertaking wide-ranging performance audits to ensure there are adequate controls within State and local government entities, compliance with relevant legislation and most importantly efficiency and effectiveness of operations or programs
- reporting the results of audits to Parliament in an objective, competent, insightful and timely manner
- performing forensic examinations and audits to determine whether there are indicators of fraud or wrongdoing.

In 2020-21, we achieved this with a budget of \$37 million, 202 employees and the professional resources of our contract audit firm partners. We have a culturally and socially diverse workforce. Our people have a broad range and depth of experience, well beyond simply accounting and auditing, in the private and public sector with academic, not-for-profit, international, regulatory, economic and industry backgrounds. We are very proud of this diversity because it strengthens our capability, better reflects the vibrant WA community and makes the OAG a more enjoyable place to work.





Executive summary from the Auditor General

Unusual operating risk environment

For a 2nd consecutive year, the COVID-19 pandemic response has remained a priority policy focus for governments across the world. In Western Australia, we remain in a State of Emergency with international and interstate border closures and momentum in mass vaccination roll-out by State and Commonwealth governments. Public sector entities continue to operate in an environment of disruption where many are required to deliver urgent frequently-changing policy responses along with their business as usual operations. In some areas, such as infection control in quarantine arrangements, there is little tolerance for error.

Such a brittle and risk-averse operating environment places sustained stress across the public sector, from senior leadership to those serving in the front line. This leads to a heightened risk of rushed decisions, compromised processes, burn-out and mistakes.

Governing on a dominant narrative like COVID-19 also increases the risk that other critical areas of public administration may not receive the level of focus they would usually warrant.

This is the environment now facing governments, and those who implement their decisions, at a time when the degree of public trust sought is at levels arguably not seen since World War Two.

More than ever, the community and Parliament rely on integrity bodies – including audit offices – to provide independent assurance across the broad range of government decision-making and administration. For the OAG, our main oversight focus is on ensuring governance structures are robust, and that entities are spending public money for its intended purpose and are efficient, effective and compliant in their operations. In addition to building and sustaining trust in our institutions, our work promotes accountability and the

“More than ever, the community and Parliament rely on integrity bodies – including audit offices – to provide independent assurance across the broad range of government decision-making and administration.”

likelihood of better public administration outcomes for the community and future generations.

Record OAG output

It is pleasing to advise that during such a turbulent time, my Office has delivered record outputs, both in terms of our number of tabled reports and financial audits. Our performance audit program included reports providing a level of transparency and assurance around key aspects of the Government’s COVID-19 response including the capacity and preparedness of our health system and pathology services. As part of our ongoing commitment to sharing good practice and building capability, the Office also published a comprehensive *Better Practice Guide – Public Sector Financial Statements*, which aims to provide a toolkit for entities to support a strong governance framework and an efficient and effective financial statement preparation process.



“The volume and quality of output over the last 12 months is testament to the hard-work and dedication of the OAG team, who have been so adaptable with the challenge of pivoting to remote working, and the sustained demands of what has now become an unbroken financial audit cycle with our 4 year transition to become auditor of all 148 local governments now complete.”

The growth of our Forensic Audit business unit continues. We have seen encouraging engagement with entities, especially the Department of Finance which has shown commitment to engaging with data analytics to examine their own and the sector’s financial transactions. This highlights the benefit to the Parliament and return on investment as we integrate forensic activity into our other audit areas. We look forward to continuing the expansion of the unit as we engage with entities to help improve fraud resilience across the public sector.

Impact on staff and operations

The volume and quality of output over the last 12 months is testament to the hard-work and dedication of the OAG team, who have been so adaptable with the challenge of pivoting to remote working, and the sustained demands of what has now become an unbroken financial audit cycle with our 4 year transition to become auditor of all 148 local governments now complete. Prior to this transition, financial audit staff would traditionally use the period between the Western

Australian State Government and tertiary education sector audit seasons to take some well-earned leave and to conduct focus audits, which use information from the financial audits to further examine common business practices and controls across a sample of entities. The introduction of the local government (LG) sector to the audit program now limits these opportunities, as the audit cycles for all three sectors effectively overlap. To address these issues, the Office is exploring more innovative recruitment approaches in a period of high demand for audit and accounting professionals, as well as looking at ways to support improved LG financial reporting maturity and consequent audit efficiency for that sector.

The auditing demands of the last year also meant that some strategic projects within our Office have not had the level of attention they require to ensure timely success. This will need to be our focus moving forward. The most significant of these projects is our new audit methodology and tool, which will be expedited. The Executive team has agreed to a small reduction in our reporting target for the coming year, which will enable us to continue delivering considered opinions and quality reports while allocating key audit staff to assist with the implementation of our most critical strategic projects.

New Parliament

I have been pleased to meet and discuss our recent work and forward audit program with the new members of our parliamentary oversight committees following the 2021 State election. I highly value the positive working relationships we have had with their predecessors and I look forward to building on this legacy with the new committees in the 41st Parliament.

I also look forward to the opportunity to present to other new members and committees of the Parliament on the purpose and functions of my Office as we continue to develop a sound and appropriate engaging relationship. While my role is independent of Parliament, I value these opportunities to hear from our key stakeholders and promote the integral work my Office does to help improve transparency and accountability in the public sector.

Thank you

I recognise the professionalism and impartiality of countless senior leaders and staff across the State and local government sectors, some working in very trying circumstances, for their commitment to supporting good governance and community outcomes across Western Australia.

I wish to acknowledge the dedication and hard work of my Executive Team, and notably Don Cunninghame and Sadie Godfrey who retired this year after a collective 40 plus years' service to the Office. My sincere thanks also to Glyn Lewis from the Australian Federal Police for his milestone contribution to establish our Forensic Audit function. I warmly welcome Grant Robinson who has stepped into the role of Assistant Auditor General Financial Audit, and welcome back Jason Beeley from his secondment to the Department of Communities. The record outputs of the Office could not be achieved without the steadfast leadership of our entire Executive team along with the skill and consistent endeavour of all our employees. I sincerely thank all OAG employees and our contract audit delivery partners for their commitment to the Office, and diligence in the important and unique work we do for the benefit of the community we serve.



Caroline Spencer
Auditor General

▶ Year in review



▶ About us

 **202**
employees

 **46%** who
are from culturally
diverse backgrounds

 Over **17,800**
hours spent on
professional
development

▶ We audited

State government entities

 **170**
entities and
subsidiaries

 employing over
145,000
people

 managing
\$244 billion
in assets

Local government entities

 **148** local government entities

 employing over
17,000 people

 including the financial statement audits of
132 local government entities for the
third year of the financial audit transition

 managing
\$45 billion
in assets

▶ We delivered

 **33**
reports to
Parliament

 including
12 opinions
on ministerial
notifications

 **289**
opinions
on financial
statements

 **252**
certifications of
financial and
statistical
information

Highlights 2020-2021



This year we delivered **33 reports to Parliament** for the financial year, which is the highest number we have ever tabled over a 12 month reporting period. This is a credit to the dedication and professionalism of our employees, particularly given the operational challenges COVID-19 continues to present (page 76).



In February, we welcomed **7 cadets** from a range of disciplines including business, law and social sciences. Our new cadetship program offers students the opportunity to gain paid work experience while completing their undergraduate degree. As a training-ground for the sector, we see the skills and professionalism we develop in people as attractive and transferable to many entities (page 26).



Our **Forensic Audit** business unit is now relatively well-established and moving into its operational phase, carrying out targeted analyses and supporting our various audit functions. We commissioned 2 internal reviews on the establishment of the business unit and how we gather, use and share information and intelligence, which will guide our future approach. We are still recruiting to this branch and hope to have it at full capacity by the end of the 2021-22 financial year. Our first forensic audit results will be reported to Parliament by December 2021 (page 54).



This year we appointed our first **Chief Audit, Security and Compliance Officer** to provide support and advice to the Auditor General and Executive on the effectiveness of our risk management, physical security and control environment. The position supports and advises key committees, monitors the legislative and operating environment, supports effective risk and compliance management arrangements and delivers timely insights on emerging risks and opportunities for continuous improvement (page 39).

Significant issues 2021-2022



Given current demands for audit, accounting and IT skills in the private sector, as well as State border closures, **we may see attrition rise and certain key skills difficult to attract** (for example financial auditors, information systems auditors and data scientists). We are exploring more innovative recruitment approaches as well as looking at ways to support current employees.



Low levels of audit readiness and responsiveness in some **local government entities** has impacted our ability to complete their financial audits by the 31 December deadline. With our auditors tightly scheduled, any delay has an impact on our audit program. We will work with local government entities and our contract audit firms to ensure future audits run more seamlessly in future years.



Our extensive program of **technology modernisation** continues, seeking greater efficiencies, improved audit quality and robust information security. Some projects, including our audit methodology and tool, are expected to pose a broad staffing and financial impact for the next 2 years as we pilot, implement and train employees.



There have been isolated cases where **access to critical information for audit purposes has been delayed or denied**. This issue requires considerable senior audit staff involvement that can result in additional costs to audited entities and the Western Australian public, as well as qualifications or disclaimers of audit opinions and delays in delivery of our audit program.

Our performance

Financial performance

Full details of our financial performance are presented in the financial statements from page 93. The following summarises our actual versus target financial performance for 2020-21.

| | 2020-21 Actual \$'000 | 2020-21 Estimate \$'000 | Status |
|--|-----------------------------|-------------------------------|--------|
| Total cost of services | 36,583 | 37,758 | ✓ |
| Total income other than income from State Government | 7,495 | 9,633 | ✗ |
| Net cost of services | 29,088 | 28,125 | ✗ |
| Net increase/(decrease) in cash and cash equivalents | 471 | (691) | ✓ |
| Total equity | 15,646 | 15,158 | ✓ |
| Number of approved full-time equivalent (FTE) | 182 | 186 | ✗ |

Table 1: Key elements of our financial performance

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

Key effectiveness performance

Our effectiveness indicator measures the extent to which we have informed Parliament about public sector accountability and performance against 4 specified categories:

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

| Report category | 2020-21 Actual | 2020-21 Target | Status |
|------------------------|-------------------|-------------------|----------|
| Service delivery | 7 | 14 | ✗ |
| Economic development | 3 | 9 | ✗ |
| Social and environment | 3 | 8 | ✗ |
| Governance | 20 | 2 | ✓ |
| Total | 33 | 33 | ✓ |

Table 2: Our effectiveness indicator

This financial year, we met our target as well as the 3 year overall reporting target (Table 3), although our performance against category targets was mixed. The shortfalls across our service delivery, economic development, and social and environment categories were offset by a significant surplus of reports delivered under our governance category.

Our governance reports include opinions on ministerial notifications under section 82 of the *Financial Management Act 2006*. The notifications are a legislative obligation and use the same employees as planned performance audit reports, causing the unfavourable results compared to targets in other report categories. Further, a variance between actual and target can arise given the Auditor General's decision to choose audit topics that in our view at the time would better reflect the audit priorities of the Parliament and inform the community.

| Report category | 2018-19 to 2020-2021 | | Status |
|------------------------|----------------------|-----------|----------|
| | Tabled | Target | |
| Service delivery | 14 | 21 | ✗ |
| Economic development | 6 | 12 | ✗ |
| Social and environment | 7 | 12 | ✗ |
| Governance | 63 | 45 | ✓ |
| Total | 90 | 90 | ✓ |

Table 3: Concluding 3 year report target

For our next 3 year period (2021-22 to 2023-24), we have decreased our overall reporting target to 84. This reflects the significant diversion of audit resources to implementation of the new audit methodology and tool and consolidating the transition of all 148 local government entities into our audit responsibility and the recent trend for fewer section 82 notices.

| Report category | 2021-22 to 2023-24 report target |
|------------------------|----------------------------------|
| Service delivery | 22 |
| Economic development | 13 |
| Social and environment | 13 |
| Governance | 36 |
| Total | 84 |

Table 4: New 3 year report target

Key efficiency performance

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

| Efficiency indicator | 2020-21 Actual (\$) | 2020-21 Target (\$) | Status |
|---|---------------------|---------------------|--------|
| Total audit cost per million dollars of gross government expenditure | 491 | 560 | ✓ |
| Attest (financial) audit cost per million dollars of gross government expenditure | 399 | 449 | ✓ |
| Performance audit cost per million dollars of gross government expenditure | 92 | 110 | ✓ |
| Average number of days taken after balance date to issue financial audit opinions | 79.2 | 68 | ✗ |

Table 5: Our efficiency indicators

Our total audit cost is broken into our 2 audit areas: attest (financial) and performance auditing. The variance in total, attest and performance audit cost was mainly due to our audit fees, appropriation and expenditure limits not growing at the same rate as the overall increase in gross government expenditure. The increase in average days taken to issue financial audit opinions is reflective of the overall increased annual workload from additional local government audits and changes to accounting standards.

Full details of our key efficiency indicators including 5 year trend data are available on page 131.

Performance management framework

State government entities work together to achieve the 4 high level goals and broader strategic outcomes of the State Government. The services and activities they deliver are linked to the goals and contribute to achieving the Government outcomes.

Through our desired outcome of ‘an informed Parliament on public sector accountability and performance’ we provide oversight of the Government’s achievement of its 4 goals including responsible financial management and better service delivery.

| Government goal | Outcome |
|------------------------|--|
| Sustainable finances | Responsible financial management and better service delivery |
| Future jobs and skills | Grow and diversify the economy, create jobs and support skills development |
| Strong communities | Safe communities and supported families |
| Better places | A quality environment with liveable and affordable communities and vibrant regions |

Table 6: State Government goals

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 |
|-----------------------------|--------------------------|
|-----------------------------|--------------------------|

The extent that the 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:

- service delivery
- economic development
- social and environment
- governance.

The OAG is responsible for undertaking the external audit of the Western Australian public sector. This is done through audits of financial statements, controls, key performance indicators, efficiency and effectiveness, and reporting the results to Parliament. Efficiency is measured by the:

- audit cost per million dollars of gross government expenditure
- days taken to issue financial audit opinions.

Table 7: Performance management framework

Enabling legislation

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

Key legislation

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

Auditor General Act 2006

Constitution Act 1889

Disability Services Act 1993

Equal Opportunity Act 1984

Financial Management Act 2006

Industrial Relations Act 1979

Local Government Act 1995

Minimum Conditions of Employment Act 1993

Occupational Safety and Health Act 1984

Procurement Act 2020

Public Interest Disclosure Act 2003

Public Sector Management Act 1994

Salaries and Allowances Act 1975

State Records Act 2000

Workers' Compensation and Injury Management Act 1981.



Executive structure

(at 30 June 2021)



Caroline Spencer
Auditor General



Sandra Labuschagne
Deputy Auditor General and Chief Operating Officer

AUDITOR GENERAL'S OFFICE

The Auditor General's office provides executive support to the Auditor General, Deputy Auditor General and key governance committees. The business unit works closely with our parliamentary and external stakeholders and provides high level advice to the Auditor General and Executive.

FINANCIAL AUDIT



Grant Robinson
Assistant Auditor General

Conducts audits of financial statements, controls and performance indicators, and issues audit opinions. Summarises the results of these audits in a report to Parliament. Also performs focus area audits.

INFORMATION SYSTEMS AND PERFORMANCE AUDIT



Aloha Morrissey
Assistant Auditor General

Conducts performance audits, information systems audits and opinions on ministerial notifications.

PERFORMANCE AUDIT



Jason Beeley
Assistant Auditor General Performance Audit

(Currently overseeing Forensic Audit while the AAG position is vacant.)

Conducts audits into the efficiency and effectiveness of public sector entities' programs and performance.

FORENSIC AUDIT

Conducts targeted forensic audits into aspects of public sector financial management and probity.

TECHNICAL AND AUDIT SUPPORT



Patrick Arulsingham
Acting Assistant Auditor General

Provides accounting, audit and governance technical advice, assists in the development of advice and submissions to standard setting bodies, and monitoring and supporting audit quality across audit teams.

BUSINESS SERVICES



Michael Cooper
Acting Assistant Auditor General

Provides workforce and professional development, financial management, information technology, information management, strategic planning and communications services.

Executive Management Group

Caroline Spencer

BBus, FCPA, FCA, GAICD, FGIA, FCIS

Caroline was appointed Auditor General in May 2018.

Caroline has experience in financial and performance audit, and led a public sector audit and governance firm in Canberra prior to appointment. Caroline has held a number of board and audit committee roles in various sectors across several jurisdictions.

Caroline has a passion for promoting accountability and continuous improvement across the public sector and the audit profession – to enhance trust and performance for the benefit of the communities we serve.

Caroline is an ex-officio State Records Commissioner and a member of the Australian Accounting Standards Board.

Sandra Labuschagne

BCompt, Hons BCompt CA (SA)

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

Grant Robinson

BCom, Fellow CAANZ, Fellow AICD

Grant joined the OAG in 2021 as Assistant Auditor General. Prior to this he was a partner of KPMG and has more than 37 years' experience as a chartered accountant and business advisor. Grant is experienced in financial analysis, compliance, governance and risk management.

Aloha Morrissey

BBus, Grad Dip Bus Admin, CPA

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

Jason Beeley

BA Hons (Oxon), Dip Strategic Studies

Jason joined the 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.

Patrick Arulsingham

BCom, FCA, CPA, JP

Patrick joined the OAG in 2003 as a Principal Auditor in our Financial Audit business unit. Prior to this, Patrick worked at PwC as a financial auditor. In January 2020 he was appointed acting Assistant Auditor General of Technical and Audit Support.

Michael Cooper

BSc, GAICD, AFAIM

Michael joined the OAG in 2020 as Chief Information Officer and was appointed acting Assistant Auditor General in March 2021. He has over 15 years' experience in the information technology sector and extensive experience leading large, dynamic teams across both public and private sectors.



Figure 2: Senior employees from across business units at our strategic planning day

Our strategic plan and direction

This is our last year reporting against our *Strategic Plan 2016-2020*. Starting on page 20 and throughout the different sections of this annual report, we have introduced our new plan.

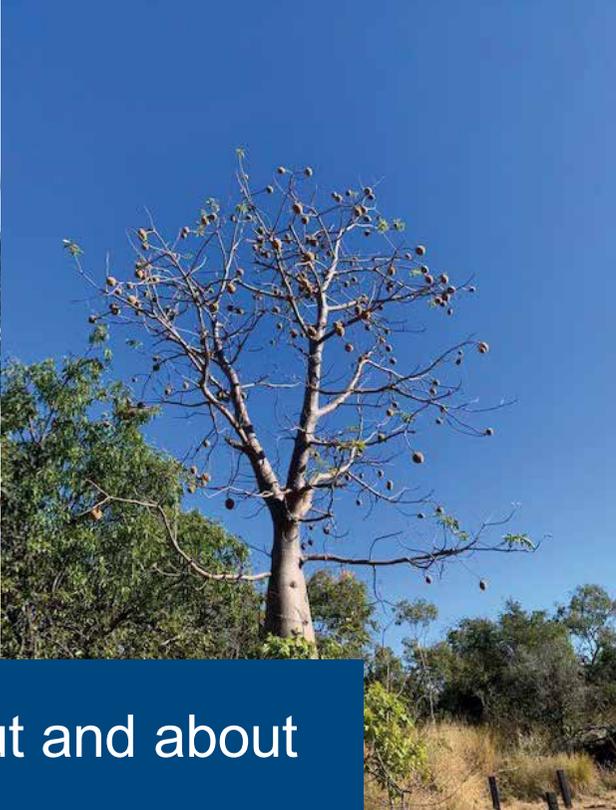
Our outgoing strategic plan centred around 4 key areas of the business that we identified as important in achieving our vision and mission.

Our people working with **our tools** with the right **approach** will deliver our **products** to 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 to achieve our goals. 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.

Our full *Strategic Plan 2016-2020* is outlined in Appendix 1 (page 144).



Our employees out and about





Introducing our ***Strategic Plan*** **2021-2025**

During the year we have been developing our new 5 year strategic plan. It outlines our priorities and desired outcomes, and how we plan to achieve them. It's built around 4 new pillars:



**Strengthening
our capability**



**Delivering
results**



**Demonstrating
excellence**



**Adapting and
innovating**



At the end of each of our outgoing reporting areas (our people, tools, approach and products) we have included a snapshot of the pillars and our objectives for the next 5 years. See pages 34, 46, 70 and 90.

In developing our *Strategic Plan 2021-2025* we sought input from employees and listened to the views of external stakeholders. We have reviewed key business information, learnt from our past performance and analysed the practices of other jurisdictions. We have considered our current operating context and anticipated future challenges and opportunities.

To help us achieve our strategic plan outcomes, each business unit will develop a business plan that identifies their strategic initiatives for the next 2 years. The plans will also identify key measures to guide monthly reporting to our Executive, who will also meet during the year to monitor our progress. We will report against the new pillars in next year’s annual report.



Office of the Auditor General
Serving the Public Interest

Strategic Plan 2021-2025

Our vision

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

Our mission

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

Our values

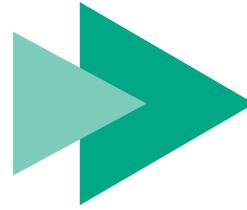
Integrity
We conduct our business in an independent, professional and ethical manner. We apply an open, honest and fair approach to our stakeholders.

Quality
We provide credible work that makes a difference. We take pride in our work and strive to deliver above expectations, being agile to improve our efficiency and effectiveness.

Service
We perform our duty to the Parliament and community, valuing the contribution of our people and stakeholders, and encouraging a collaborative and constructive approach to our work.

Four pillars form the basis of our strategic plan:

| | | | |
|---|--|--|--|
|  |  |  |  |
| Strengthening our capability | Demonstrating excellence | Delivering results | Adapting and innovating |
| Build on our solid foundations to strengthen the skills and leadership capability of our motivated workforce. | Model exemplary standards in how we undertake our business. | Deliver credible, independent assurance reporting and advice, that helps improve public sector performance and accountability. | Ensure we have the skills, knowledge, tools and mindset to meet our, and the Parliament’s, current needs and to respond effectively to change. |



Our people

Motivated, innovative, collaborative, accountable, valued, skilled, knowledgeable

| | |
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Our highlights...



We have
202
employees



46%
of our people are
from culturally diverse
backgrounds, well above the
public sector 13.9% average



Our people spent over
17,800
hours or 6.5% of their
time on professional
development



We welcomed
7
cadets in our first
cadetship program intake

Our people

The skills, dedication and enthusiasm of our people are how we deliver quality audit services. We aim to consistently select, retain and develop our people to meet the ongoing challenge of an increasing audit program while staying conscious of the State's economic environment.

Although the Auditor General is an independent officer of Parliament, the OAG is a public sector entity and is subject to the obligations and constraints of the *Public Sector Management Act 1994*.

At 30 June 2021, we employed 202 people which equates to 182.44 full time equivalent (FTE) employees. Table 8 shows we had a significant increase in FTE this year. This is due to building our new Forensic Audit business unit and responding to our increase in local government entity clients.

| Business unit | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---------------|---------------|---------------|---------------|---------------|
| Auditor General | 6.00 | 5.00 | 5.00 | 5.60 | 5.50 |
| Financial Audit | 68.48 | 73.68 | 88.48 | 86.80 | 97.80 |
| Forensic Audit | | | | 2.90 | 8.50 |
| Information Systems and Performance Audit | 16.60 | 17.44 | 20.84 | 20.55 | 20.87 |
| Performance Audit | 16.55 | 18.56 | 19.82 | 14.00 | 16.27 |
| Technical and Audit Quality* | 4.00 | 5.00 | 1.00 | na | na |
| Technical and Audit Support* | | | | 2.00 | 7.20 |
| Business Services | 23.58 | 25.50 | 23.10 | 20.90 | 26.30 |
| Total | 135.21 | 145.18 | 158.24 | 152.75 | 182.44 |

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

Table 8: FTE at 30 June for the last 5 years

Our attrition rate was 10% this year (15% in 2019-20). Of the 15 permanent employees who left, 70% accepted positions with other State government entities, demonstrating the attraction of our people to the WA public sector as a result of their strong finance and governance skills.

We regularly review our retention strategies and other initiatives in our Workforce Plan, with a strong emphasis on professional development and succession planning. While this enhances our recruiting competitiveness and employee retention it also ensures we are well placed to promote internally and provide a career path for our employees.



New recruitment approach

This year for the first time we trialled a broad expressions of interest recruitment approach for short-term job opportunities. We advertised on a range of websites, across jurisdictions and in national papers, seeking CVs from people with experience in finance, IT, data analytics, forensic investigations and performance audit. To support this approach, which allowed for CVs to be received at any time, we established standing recruitment panels. Panel members work in the relevant business areas and received training and support from HR consultants.



Figure 3: Graduate training

Learning and professional development

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

Our professional development program is primarily delivered through monthly whole-of-office training which includes technical and non-technical learning. We source specialist internal and external speakers to lead sessions. Governance, independence and risk management featured strongly this year. We also included sessions on local government to continue to build our employee's knowledge of the sector as we move into the final stages of incorporating local government entities into our audit program.

Our long-standing commitment to clear, concise, jargon-free report writing continues, with plain English training delivered online this year. We also incorporated critical thinking training to support our report writers.

Our internal subject matter experts deliver targeted sessions on specific topics and provide specialist or technical guidance. This is of particular importance and value to employees undertaking Certified Practising Accountant (CPA) or Chartered Accountants Australia and New Zealand (CAANZ) post graduate accounting studies.

Our status with 2 of the joint accounting bodies continues and as a Recognised Employer Partner with CPA Australia our member employees have automatic continuing professional development recognition. Our status as a Recognised Training Employer with CAANZ offers similar benefits to our employees who are provisional members.

Our learning management system has allowed us to successfully roll out a range of regular online training courses to our employees. The implementation of monthly online cyber security awareness training is an important addition to ensure employees are alert to these risks. We continue to develop and deliver more targeted training on emerging topics of interest or applicability.

Graduate program

Our annual intake of graduates delivers continual growth and future sustainability of our workforce. In February 2021, we welcomed 7 financial audit graduates. Our advertised recruitment program attracted 75 applicants, with 32 invited for interview.

Our intensive 5 week induction and training program, the foundation of our graduates' time with us and the building blocks of their audit and accounting careers, includes:

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

Our support of the graduates continues with a 3 year training program of key technical development and mandatory professional accounting studies.

Cadet program

This year we started our first cadetship program, offering part time development positions for current university students. In February, we welcomed 7 cadets from a range of disciplines including business, law and social sciences. The cadets completed a 2 week induction with our graduate cohort and are rotating between different business units throughout the year to gain a good understanding of the OAG. The cadetship process supports our capability development strategy and will offer a pathway into our graduate program for those eligible.

The cadet experience



“ As a politics and international relations major I was anxious to find my place within the OAG. However, since beginning my perspective has drastically shifted. Through the supportive work culture, my academic skills have been enriched and developed to positively impact my development and contribute to the work of the OAG.

My rotations within the Information Systems and Performance Audit business unit and Communications team have given me the opportunity to work on a variety of projects such as auditing government entities, event management and creating online video animations. This is in addition to my work on the web development project being undertaken by all of the cadets. The cadetship program has broadened my perspective of the public sector. ”

Susan, 2021 cadet

Figure 4: 2021 cadets with Auditor General Caroline Spencer



Secondments

| Placements | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Into OAG | 5 | 6 | 7 | 16 | 5 |
| Out of OAG | 7 | 9 | 10 | 12 | 14 |
| Total | 12 | 15 | 17 | 28 | 19 |

Table 9: Secondments in and out of the OAG for the last 5 years

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

While Parliament was dissolved we welcomed 4 secondees from the Legislative Assembly Committee Office. This arrangement will assist our future interactions with the committees and develop their working knowledge of the OAG.

University liaison program

This year we continued our strong liaison with Western Australian universities through:

- targeted sponsorship of business school prizes and scholarships at all 5 universities
- placement opportunities for Edith Cowan University cyber security students. Exposure to complex information systems environments in our Information Systems and Performance Audit and Information Technology teams delivers a mutual benefit to us and the students
- advertising cadet and graduate opportunities through university career hubs
- building relationships with university career advisors for direct engagement with students.

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

Support for the State COVID-19 recovery initiative

During the year we supported an employee joining the Remote Aboriginal Communities: Emergency Mobilisation Unit, based at the Department of the Premier and Cabinet. The unit works collaboratively and provides sustainable solutions to protect and empower remote Aboriginal communities against the ongoing COVID-19 threat. We have taken responsibility for paying for our employee while they are on secondment and will continue to support these opportunities as they arise.



Code of Conduct

On commencement and every year, our employees are required to acknowledge their understanding of, and commitment to, our Code of Conduct and their compliance with legislation, internal policies and professional standards of conduct. Our Code of Conduct specifies appropriate standards of employee behaviour determined by the Public Sector Code of Ethics in addition to those with direct relevance to our unique role and responsibilities, including confidentiality of information.

This year we trialled a paperless process for completing of compliance-related forms. Some difficulties were experienced and we have reverted to manual processes. We are examining new options for automated compliance processes in 2022.

For more information on our compliance with public sector standards and ethical codes see page 139.

Grievance resolution

Our expectations about appropriate workplace behaviour are endorsed through regular education and awareness training, with support resources promoted on the intranet and posters around the office. We acknowledge that grievances or disputes can arise in any workplace and have a fair and transparent process, including officers trained in grievance and complaint resolution. No grievances were lodged with the OAG in 2020-21.

Equity and diversity

Our workforce is diverse and we are proactive in being inclusive. We appreciate the value of a diverse organisation and aim to have a workplace that includes and respects different gender, race and cultural perspectives, and reflects the broad community we serve. We celebrate a wide range of events across the year and invite all employees to contribute plates of food and speak about what the cultural celebrations mean to them and their family. All employees attend workplace behaviour and equal opportunity training.

| Equity and diversity | 2016-17 (%) | 2017-18 (%) | 2018-19 (%) | 2019-20 (%) | 2020-21 (%) |
|--|-------------|-------------|-------------|-------------|-------------|
| Women | 62.41 | 57.14 | 56.00 | 57.58 | 56.20 |
| Aboriginal | 0 | 0 | 0.59 | 0.61 | 1.00 |
| People from culturally diverse backgrounds | 45.86 | 54.65 | 53.84 | 47.27 | 45.90 |
| People with disabilities | 0 | 0.62 | 0.59 | 2.42 | 3.10 |
| Youth (24 and under) | 6.02 | 3.72 | 4.73 | 4.85 | 8.80 |

Table 10: Various diversity groups as a percentage of our workforce

The OAG celebrates diversity in thought and background. This is reflected in our workforce consisting of over 45% of employees from culturally and linguistically diverse backgrounds, compared with less than 15% across the wider public sector. We also have a young workforce, with a median age of 36 compared with 45 for the WA public sector.



Cultural awareness

In celebration of NAIDOC Week 2020, we engaged Justin Martin from Djurandi Dreaming to host a yarning and painting session for our employees as well as the other tenants of Albert Facey House. Justin shared the stories and symbols behind Noongar art with employees while they decorated a boomerang or contributed to a group canvas. As well as decorated handprints, the painting includes kangaroo and emu tracks, and representations of water and meeting sites. The artwork now proudly hangs in our building for employees and visitors to enjoy.



Figure 5: Employees contributing to the group artwork, now hanging in Albert Facey House

Occupational safety and health

We acknowledge that occupational safety and health (OSH) is a priority and we are committed to providing and maintaining a safe and healthy work environment. Our employees work in a relatively low-risk environment; however, we do not take this for granted and all employees receive online OSH training with additional training for managers. Training completion rates are reported to Executive and used to identify areas for further training.

We have designated and trained OSH Safety Officers and all office practices comply with our legislative responsibilities under the *Occupational Safety and Health Act 1984*, *Workers' Compensation and Injury Management Act 1981* and policy requirements in WA.

Our induction process for new employees includes information on their responsibilities under our OSH and injury management policies. Additionally, all documents are 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.

Day-to-day responsibility for ensuring that workplace facilities, equipment and systems do not expose employees to hazards sits with the Business Services unit. Our Audit and Risk Management Committee monitors trends, maintains awareness of serious issues and monitors timely and appropriate risk management.

Our performance in 2020-21 on OSH and injury management is reported on page 140.



A focus on personal safety

This year we have focused on improving and raising awareness of employee personal safety. We engaged a consultant to conduct a safety audit of our workplace, building exits and car park, and to provide a report and recommendations to our Executive. Most recommendations have already been implemented including a training session for employees on actions they can take to help improve their personal safety. More training will take place next year with a presentation by the WA Police Force and the City of Perth on the city's surveillance centre. Employees are encouraged to complete incident report forms if they see or are involved in an incident travelling to or from work, so we can continue to monitor safety and identify opportunities for safeguards.

Employee assistance program

Our people are not solely employees and many factors affect their lives, especially during the challenges of the past year resulting from COVID-19. Sometimes they need additional assistance or resources to help manage external factors that can impact emotional as well as physical wellbeing. One of the ways we support them in these times is through our employee assistance program. It offers services including independent counselling, advice, online articles, podcasts, meditations and support for the full range of life issues. To ensure full support, we extend the program to immediate family members, who in the recent period may have suffered increased impacts on their jobs, businesses and community groups they're involved with. We also refer employees we identify as needing professional intervention to resolve significant issues that are impacting their lives and work.

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

Wellness

Employees spend most of their waking hours at work. We want to ensure our employees achieve balance through caring for their mind, body and spirit so they can lead a full and healthy life. We offer a range of wellness initiatives including:

- flu vaccinations
- ergonomic assessments and an increasing ergonomic accessory range, including for a mobile workplace and the recent increase in working from home
- professional ergonomic assessments for special requirements
- Well at Work e-magazines with strategies, tips, recipes and exercises
- lunch and learn sessions on superannuation and salary sacrifice options
- time to provide blood donations.

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



Figure 6: Employees donating blood at the Australian Red Cross Blood Service in Perth



Figure 7: Auditor General Caroline Spencer presenting at our Office Forum

Office Forums

As our workforce is highly mobile and many of our auditors work away from the office, we think it is important to bring all employees together during the year. Our quarterly Office Forums provide these opportunities. At every forum the Auditor General communicates strategic initiatives, current or emerging issues and accomplishments of different business units.

Due to the impact of COVID-19, including physical distancing restrictions and increased working from home, we invited employees to attend online or in person. Our hybrid event delivery methods are improving with experience and technology adaptation.



Figure 8: Employees at our social club Christmas lunch

Social club

Our social club plays a vital role in connecting our employees across all business units. It is run by a voluntary employee committee. During 2020-21 the committee hosted the annual Christmas and end of financial year lunches, as well as a welcome sundowner for our new graduates and cadets.



Carina helping to raise money for the Leukaemia Foundation.



Punitha and Renuka celebrating Diwali at a vibrant employee morning tea.



Wishing our Assistant Auditor General Financial Audit, Don Cunninghame, all the best in retirement.



Celebrating Lunar New Year with traditional treats.



Painting and learning about Noongar symbols and stories during NAIDOC Week.



Delivering our employee donations for the Smith Family Christmas Appeal.



Carol with her husband Kelvin playing bells at our December Office Forum.

Guide dog in training, Melba, dropped by for some office familiarisation.



Figure 9: Office happenings

Introducing our *Strategic Plan 2021-2025*

Our people  Strengthening our capability



Strengthening our capability

Our people will always be our greatest asset, and this is why strengthening our capability is one of the new pillars of our *Strategic Plan 2021-2025*. We will focus on developing the skills of our current employees as well as positioning ourselves to be an employer of choice. Having a capable and adequately staffed workforce will better equip us to deliver on our other strategic areas and help us meet our vision of supporting accountability and continuous improvement in the public sector.

What is our objective?

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

How will we do it better?

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

What we do

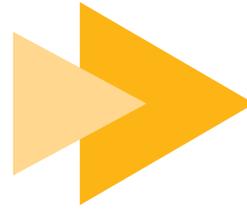
- attract, develop and retain the people we need

What does success look like?

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



Strengthening our capability



Our tools

Robust, efficient, user-friendly, flexible, agile, reliant, compliant

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Our highlights...



We reviewed
47
policies that support
and promote efficient and
effective administration



We awarded a contract
to replace our legacy
finance system



Both **ARMC** and **AQMC**
developed their 4 year
work plan



We appointed our first
**Chief Audit,
Security and
Compliance Officer**

Executive Management Group



Figure 10: Our Executive Management Group

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

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

Our Executive team's profiles are on page 17.

Financial management

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

This year we awarded a contract to replace our 25 year old finance system seeking to balance fit for purpose with value for money aspects. We anticipate to fully transition to the new finance solution by the end of 2021.

Policy framework

Our policies are designed to answer the most frequently asked questions on audit, IT, administrative, accounting and personnel matters. They support and promote efficient and effective administration by providing consistent operational rules that meet our compliance requirements.

We formally review each policy at least every 2 years, undertaking an evaluation and assessment to confirm ongoing usefulness and taking into account feedback from employees and changes to legislation or other external environments.

This year we reviewed 47 policies of which 3 were rescinded, 42 were approved by Executive and 2 are pending further amendments. Employees are informed of policy changes via email, on the intranet and at professional development days.



Chief Audit, Security and Compliance Officer

In November 2020, our first Chief Audit, Security and Compliance Officer commenced at the OAG.

The role provides support and advice to the Auditor General and Executive on the effectiveness of our risk management, physical security and control environment. It monitors the legislative and operating environment, supports the maintenance of effective risk and compliance management arrangements and delivers timely insights on emerging risks and opportunities for continuous improvement. The role also provides secretariat support to 2 of our key governance committees, the Audit and Risk Management Committee and Audit Quality Monitoring Committee.

This position is situated in the Auditor General's Office business unit in recognition of its importance to the OAG as a key contributor to good governance and entity outcomes.

Audit and Risk Management Committee

Members

- Des Pearson, Independent Chair, former Auditor General for Western Australia and Victoria, non-executive director various boards
- Peter Wilson, Independent Member, held senior executive and non executive director roles in various sectors, appointed April 2021
- Aloha Morrissey, Assistant Auditor General Information Systems and Performance Audit, appointed June 2021
- Kamran Aslam, Senior Director Information Systems and Performance Audit
- Andrew Harris, Director Performance Audit
- Kevin Ng, Assistant Director Forensic Audit
- Lee Wilson, Chief Audit, Security and Compliance Officer, provided the secretariat function
- Jordan Langford-Smith, Acting Assistant Auditor General Information Systems and Performance Audit completed his tenure in 2021

The objective of the committee is to provide independent assurance to the Auditor General and the Executive by monitoring, reviewing and providing advice about the governance arrangements, risk management and control frameworks of the OAG and its external reporting and accountability obligations.

Internal control

Our internal controls are used to help us achieve our mission, vision, objectives and strategies. By identifying uncertainty, that could prevent achievement or be exploited to a positive advantage, we can identify what effective controls we need to have in place. We have applied a 4 lines of defence model to provide assurance over our internal control environment. The Audit and Risk Management Committee (ARMC), in consultation with the business and our internal auditor, develop an annual internal audit plan, based on identified risks and associated controls.

Risk management

We are committed to embedding a culture of achieving sufficient confidence when making decisions, by ensuring decision makers are equipped with the right information and the right skills, at the right time. To achieve this, our risk policy and framework are structured to ensure decision makers consider the effect and impact of uncertainty on our objectives.



Report from the ARMC Chair

The ARMC is an essential part of the OAG's governance framework. While the committee has no executive or decision-making powers, it does provide independent advice and assurance to the Auditor General on activities relating to governance, internal control, risk management, compliance, and financial and performance reporting.

In addition to acknowledging Jordan Langford-Smith's contribution during his tenure on the ARMC, I also want to acknowledge, as my tenure also concludes, the very collaborative and constructive approach adopted by all members.

Their role is additional to their core responsibilities. I have consistently been impressed by their ongoing commitment and willingness to contribute. In consequence, my experience working on this committee has been very professionally satisfying.

I also welcome the new members Peter Wilson and Aloha Morrissey and commend the Auditor General and the Office on the very mature approach adopted to resourcing, using and refreshing the membership of the ARMC.

During 2020-21, the ARMC:

- prepared a 4 year work plan to acquit its revised charter that was updated to align with best practice guidance and other Australian audit offices
- completed a stocktake of the OAG's internal control environment and associated processes. This confirmed ARMC's function and objective, as well as identifying some opportunities for improvement
- endorsed and oversaw implementation of a risk management maturity improvement strategy. This substantially revised the Risk Management Policy and Framework to reduce complexity and present a suite of practical, user-friendly tools
- monitored the delivery of major projects in the context of how risks were being managed
- oversaw the acquittal and implementation of internal audit recommendations and approved the 2021 Internal Audit Plan
- considered workplace health and safety data and trends, identifying areas for improvement and making recommendations to enhance reporting
- identified opportunities for improvement in working from home processes, in the context of additional uptake during COVID-19.

Des Pearson

Independent Chair, Audit and Risk Management Committee

Audit Quality Monitoring Committee

Members

- Sandra Labuschagne, Chair, Deputy Auditor General
- Efthalia Samaras, Senior Director Financial Audit
- Andrew Harris, Director Performance Audit
- Tim Hughes, Principal Adviser
- Adam Dias, Acting Director Information Systems and Performance Audit
- Lee Wilson, Chief Audit, Security and Compliance Officer, provided the secretariat function
- Gareth Govan, Director Information Systems and Performance Audit, completed his tenure in 2020

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

- monitor the system of audit quality control and provide the Auditor General with reasonable assurance that the OAG complies with the requirements of the Auditing Standard ASQC 1 and, if applicable, Auditing Standard ASA 220
- review the efficiency and effectiveness of the OAG's quality control processes
- enable a collegial and constructive quality control monitoring process that provides appropriately contextualised and calibrated advice to support continual improvement.

Quality is one of our values and is essential to our work. We demonstrate and promote the principle that audit quality is more than just meeting professional standards and public sector compliance requirements.

Quality control

We have a Quality Control Monitoring Framework that defines our approach to quality review and root cause analysis. Our audit file rating system has been designed to allow benchmarking against the results of other Australasian Council of Auditors-General (ACAG) members. External reviewers appointed by the AQMC are required to comply with the framework.

Quality review

The framework is supported by an annual Quality Assurance Plan, which incorporates cold, in-flight, thematic and peer reviews. The plan plays a key role in ensuring our compliance with relevant accounting and assurance standards. Through the activities undertaken we can identify ways to continually improve our approach to auditing and the quality of our products.

Root cause analysis

The AQMC identified a need to enhance its root cause analysis capabilities. The Technical and Audit Support business unit was asked to develop its skills in this area and consider the 2020 and 2021 review findings.

Complaints and matters of non-compliance

The AQMC monitors receipt and resolution of referrals and complaints about audit work. Where relevant, opportunities for improvement are identified and actions created to address them. This may include making recommendations for training and development opportunities to enhance the quality of our work.



Report from the AQMC Chair

The AQMC monitors the effectiveness of the OAG's systems of quality control for all audit functions. It sets the system of quality control, identifies quality review opportunities, oversees the implementation of quality review recommendations and provides assurance to the Auditor General and Executive through reporting and escalation. The AQMC was pleased to hear from its appointed reviewers that employees were very open to feedback and recommendations. This reflects the collegial approach the AQMC has championed.

Quality assurance activities for the year were determined based on an overarching thematic focus on high-risk and/or difficult to finalise audits. Cold and in-flight reviews were conducted on financial audit, performance audit and information system performance audit files. Findings and recommendations from these reviews will be considered and, where validated, implemented in 2021-22 to support audit teams to deliver results and demonstrate excellence.

Other activities undertaken by the AQMC during 2020-21 included:

- development of a 4 year workplan, ensuring all aspects of the charter were included for acquittal
- acquittal of the 2020 Quality Assurance Plan
- considered several complaints and identified opportunities for improvement, all of which have been implemented
- considered local, national and global emerging audit quality matters, identifying opportunities for audit quality improvements
- considered audit season and program reporting to identify trends that could be analysed.

The AQMC will continue to deliver its work plan, with its next priority being the consideration of the findings of the 2021 quality reviews.

Sandra Labuschagne

Chair, Audit Quality Monitoring Committee

Information Governance Committee

Members

- Sandra Labuschagne, Chair, Deputy Auditor General
- Jason Beeley, Assistant Auditor General Performance Audit
- Aloha Morrissey, Assistant Auditor General Information Systems and Performance Audit
- Grant Robinson, Assistant Auditor General Financial Audit
- Patrick Arulsingham, Acting Assistant Auditor General Technical and Audit Support
- Michael Cooper, Acting Assistant Auditor General Business Services
- Kamran Aslam, Senior Director Information Systems and Performance Audit
- Paul Millwood, Acting Chief Information Officer

The key responsibilities of the committee are to:

- oversee the development and delivery of the strategic information technology (IT) plan
- review and endorse proposed major technology-related projects
- review and endorse the IT risk appetite and mitigation strategies
- review and provide recommendations on priorities for technology expenditure
- monitor the performance of information services
- oversee the operational lifecycle of enterprise systems
- review and endorse planned major service changes
- review and monitor policies and standards.

Report from the IGC Chair



The Information Governance Committee provides focus and oversight to ensure that data and technology is managed in a way that benefits the OAG, enables its users and protects its reputation.

During the year, the committee has overseen the delivery of initiatives focused on improving the OAG's security posture, while supporting efficiency and ease of use. A key priority has been developing the Office's data analytics capabilities, particularly for forensic audits, with a range of systems and technologies now in use.

Another focus has been the continued procurement of a new financial audit methodology and whole-of-office audit tool. The Office has undertaken market research to gain a better understanding of the audit methodology offerings and aims to transition to a new methodology and tool in phases, starting late 2021 or early 2022.

The OAG's IT infrastructure is currently being refreshed to provide the right foundation for our future IT services and systems. The changes will support accelerated maturity of our IT service delivery and business operations through improved governance, workflows and systems.

Sandra Labuschagne

Chair, Information Governance Committee

Other committees

- **Culture Committee** – chaired by the Auditor General, the committee fosters a culture of professional respect, accountability and support, as well as innovation within the OAG and provides advice and recommendations to Executive on improvements to our workplace culture and capability.
- **Office Consultative Committee** – facilitates the efficient and effective conduct of OAG activities by enabling the views of employees to be taken into account in decision-making.
- **Crisis Management Team** – (as required) implements the Business Continuity Plan and manage the response to any critical incident or disaster.
- **Performance Audit Methodology User Group** – (as required) considers significant user feedback on our performance audit methodology.



Introducing our *Strategic Plan 2021-2025*

Our tools  Adapting and innovating



Adapting and innovating

Over the next 5 years, we will focus on adapting and innovating not only our tools, but our mindsets. We will implement modern, secure and resilient information systems and develop an office culture supportive of change and innovations. Embracing new technologies will enable us to streamline processes and become a more efficient and effective audit office. We will develop information technology and communication strategies to support our implementation of this strategic plan pillar.

What is our objective?

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

How will we do it better?

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

What we do

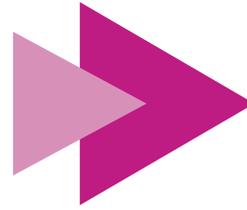
- successfully implement and integrate systems and approaches that can adapt to change

What does success look like?

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



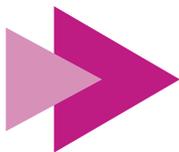
Adapting and innovating



Our approach

Consistent, fair and balanced, independent, transparent, pragmatic, professional, contemporary

| | |
|---|----|
| Financial auditing | 50 |
| Information systems auditing | 53 |
| Forensic auditing | 54 |
| Performance auditing | 56 |
| Focus on the State's COVID-19 response | 56 |
| Opinions on ministerial notifications | 59 |
| OAG oversight | 60 |
| Working with Parliament | 62 |
| Working with our peers and stakeholders | 64 |
| Changes to the Local Government (Financial Management) Regulations 1996 | 66 |
| New role on the Australian Accounting Standards Board | 67 |
| Managing feedback and complaints | 68 |
| <i>Strategic Plan 2021-2025 – Demonstrating excellence</i> | 70 |



Our highlights...



Auditor General commenced 3 year term on the **Australian Accounting Standards Board**



98% of State government entities surveyed said our auditors conducted themselves professionally during the financial audit



65% of performance audit entities surveyed said our auditors understood their organisation, a significant increase from last year



95% of local government entities surveyed said our financial audit management letters were clear

Financial auditing

Financial auditing provides independent assurance to Parliament, ministers and local government councils that the annual financial reports of State and local government entities:

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

Each year the Auditor General issues:

- For the majority of **State government entities**, most of which operate under the *Financial Management Act 2006*:
 - an opinion on the financial statements of the entity
 - an opinion regarding the financial management-related controls in the entity
 - an opinion on the key performance indicators (KPIs) of the entity and whether they are fairly presented, relevant and appropriate.

Most State government entities are required under the *Financial Management Act 2006* to have their annual reports tabled within 90 days of financial year end.

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

Under the *Local Government Act 1995*, local government entities are required to publish their annual reports on their website within 14 days of their council accepting the report.

- For **entities operating under other legislation**, an opinion on their financial statements.

You will find an overview of the financial audits undertaken this year on page 74. Appendix 2 (page 146) is a complete list of entities subject to financial audit this year.

Working with audit firms

We value our strong relationship with our contract audit firm delivery partners. For the 2020-21 financial year, we outsourced about 24% of our financial audit work for State government entities and approximately 83% for local government entities. The Auditor General, or a delegate, signs the audit opinion and is accountable for the work of our contract audit firm partners.

Auditors General outsourcing audits is common practice across jurisdictions and our contract management processes ensure that outsourced audits are efficient, cost-effective and meet our audit quality standards.

We have been contracting out audits for many years and the benefits for us and our clients include:

- partnering with accredited audit firms to deliver surge capacity during our busiest periods
- accessing specialist knowledge or skills we might not have or are costly to maintain
- learning from accredited audit firms to improve and benchmark our audit processes, quality and reporting, and overall cost effectiveness and innovation
- auditor quality, value and rotation are maintained through our ongoing firm pre-qualification, tendering, file review and quality oversight arrangements.

Surveys of financial audit entities

We offer all audited entities the opportunity to provide feedback on how our employees and contracted audit firms are performing in the key focus areas of audit process, audit reporting and audit value (which includes the value of our financial statement, KPI and information system audits).

The survey is conducted by an independent research company and highlights areas where we can improve and key areas for us to sustain operations. We appreciate all considered feedback as it helps us better assess and improve our service delivery.

State government entities

A total of 85 out of 111 financial audit clients responded to our survey this year, a response rate of 77% (down from 84% last year). Although favourable overall, with results above 80% in all areas, it is a decline across most indices in comparison to last year. The decline is driven by a reduction in strong agreement rather than a sharp dissatisfaction rating. We have consistently seen high ratings for the value of our assurance of financial audit statements and the professionalism and knowledge of our auditors. We will be working to sustain these results.

Less favourable feedback relating to management letters being balanced and fair, the timeliness of issuing management letters and disagreement with audit approach/audit scope have been noted as opportunities for improvement. Some of this may reflect the impact of OAG employee shortages as our hiring was interrupted, especially from interstate and international border closures, and other pressures on the Office and the sector from the focus and disruption of COVID-19.

| Focus area | Indicator | % Agree | | | | |
|-----------------|---|---------|---------|---------|---------|---------|
| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Audit process | The auditors conducted themselves professionally during the audit | 96 | 97 | 96 | 97 | 98 |
| | The auditors were responsive to our needs | 88 | 89 | 90 | 91 | 82 |
| Audit reporting | The OAG's management letters communicated the audit findings and issues clearly | 90 | 93 | 90 | 96 | 89 |
| | The Auditor-General's audit opinion was issued in a timely manner | 94 | 94 | 96 | 94 | 87 |
| Audit value | We value the assurance we obtain from the audit of our statutory financial statements | 97 | 99 | 98 | 95 | 94 |
| | We value the Office's recommendations to improve the financial management and internal controls of our organisation | 91 | 96 | 98 | 93 | 89 |

Table 11: State government entity financial audit survey results of 2 key questions in 3 focus areas

Local government entities

A total of 85 out of 117 local government entities responded to our survey (a response rate of 73%, considerably down on last year's response rate 83%).

Although responses were generally positive, the results were less favourable than those in 2019-20. Audit value remains our highest performance indicator while timeliness is an area for improvement. We recognise that delays this year were in part due to late changes to the Local Government (Financial Management) Regulations 1996. While this was beyond our control and is not anticipated to happen again in the near future, we will be working with entities to ensure the audit process is as efficient as possible.

| Focus area | Indicator | % Agree | |
|-----------------|--|---------|---------|
| | | 2019-20 | 2020-21 |
| Audit process | The OAG's audit program was undertaken in a timely manner | 69 | 45 ↓ |
| | Audit staff were responsive to our needs | 82 | 80 ↓ |
| Audit reporting | The Auditor General's audit opinion was issued in a timely manner | 81 | 71 ↓ |
| | The management letters clearly communicated the audit findings and issues | 94 | 95 ↑ |
| Audit value | We value the assurance we obtain from the audit of our statutory financial report | 96 | 87 ↓ |
| | We value the OAG's recommendations to improve the financial management and internal controls of our organisation | 89 | 84 ↓ |

Table 12: Local government entity financial audit survey results of 2 questions in 3 focus areas



New post-season review

This year we introduced a post-season review of local government financial audit. With a further 20 new local government entities transitioning to our financial audit responsibility and the impact of changes to the Local Government (Financial Management) Regulations 1996 (page 66), we received a lot of feedback on our fees, audit timeliness and process. As part of our review, we considered this external feedback along with survey responses and internal feedback. We have identified strategies to implement for the next audit season to address concerns and shortcomings, starting with increasing face-to-face communication with local government entities by attending their zone and branch meetings. The review process was reflective of an established process we have for performance audits.

Information systems auditing

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

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

We have developed a model that uses accepted industry good practice as the basis for assessing the maturity of the IT controls an entity has established. The model provides a benchmark for entity performance and a means for comparing results from year-to-year.

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

Forensic auditing

In December 2019, following a request from the Treasurer to the Auditor General, the State Government announced that the OAG would receive additional funding to conduct targeted forensic audits of State entities' contract management and systems, supported by data analytics. This funding allowed for the establishment of our Forensic Audit business unit, delivering a unique audit function within Australian audit offices.

Over the past year, Forensic Audit has established a multidisciplinary team and is building methods to identify indicators of fraud and corruption within entities and conduct targeted and in-depth analysis. The team, built through internal transfers and external hires, includes forensic and financial auditors, and data analytics and intelligence specialists.

Our examinations are conducted under section 18 of the *Auditor General Act 2006* with suspected instances of misconduct and/or fraud referred back to the entity for further review and action, as well as to the Corruption and Crime Commission, WA Police Force or Public Sector Commission as appropriate.

We have commissioned an independent review of the establishment of our Forensic Audit business unit, engaging experienced professionals to assess our early approach against best practice. We have asked reviewers to consider the effectiveness of our initial processes and procedures, intelligence capture and analysis, technical infrastructure needs, skills mix and strategic plans. As well as providing assurance to our Executive team, the review will allow us to provide comfort to Parliament and the community of the rigour of our approach and demonstrate our commitment to continuous review and improvement.





How our Forensic Audit team works

Our Forensic Audit team works independently and with other OAG business units to conduct in-depth analysis to identify transaction anomalies that could indicate fraud or corruption. Where this work leads to a reasonable suspicion of misconduct by public officers, referrals to the Corruption and Crime Commission, Public Sector Commission or WA Police Force will be made. Where we identify vulnerabilities to, or instances of, fraud or corruption we will engage with the entity to help improve its fraud and corruption resilience. Matters of significance arising from our forensic audit work will be reported at least annually to Parliament as appropriate. We are committed to sharing the learnings and tools from these forensic audits to build fraud resilience across the public sector.

To efficiently target our examinations, we need to be intelligence-led and risk-driven. Following an external review of our intelligence function, we are implementing a framework that will identify existing and emerging areas of high fraud risk in the public sector. The intelligence team will use internal and external information, including previous audit results, entity controls and culture, and public and private sector fraud activity to identify entities and activities vulnerable to fraud and misconduct. Specific intelligence products will inform risk assessment and audit selection.

Data analytics will underpin our forensic audit activities. Our data analytics team will contribute to intelligence gathering and assessment, help scope forensic audits and support audit conduct through dedicated analysis and tests on data sets. Data comes in many forms, from various systems and with different information structures each time. Our team identifies and extracts data from entities, connects the data sets around common items and then tests for highly probable exceptions (HPEs). These HPE tests are designed around known fraud methodologies, which evolve over time.

Forensic auditors will review and understand entity control environments and operations to identify vulnerabilities, work with our data analytics team on identifying and testing data sets relevant to those vulnerabilities and use their audit skills to review HPEs and make a judgement about whether they are indicators or instances of fraud and the next steps to improve entity resilience. The results of our examinations and sharing our methods will, over time, help entities to build fraud resilience and reduce their vulnerability to wrongdoing.

Performance auditing

Performance audits are an integral part of our overall program of audit and assurance for Parliament. Our performance audits assess the efficiency and effectiveness of State and local government entities' 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 in accordance with section 18 of the *Auditor General Act 2006* and the Australian Standard on Assurance Engagement ASAE 3500 *Performance Engagements*. We also undertake smaller performance audits called focus area audits. We conduct these as an extension of our annual financial audits, using more detailed testing than is required for forming our financial audit opinions. Our aim is to assess how well entities perform common business practices and related controls. The findings provide an insight into good practice, so all public sector entities can consider their own performance.

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

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

Responsibility for following up our audit recommendations lies with the accountable authority, management and audit committee of each entity. Parliament's Public Accounts Committee also has a key role in following up entity action on our reports (page 63).

Summaries of our reports tabled in 2020-21 are included from page 77.



Focus on the State's COVID-19 response

This year our audit program included a focus on the State's COVID-19 response. While responsiveness is critically important in such circumstances, sudden or rapid implementation of government programs presents a heightened risk environment for inefficiency, waste, fraud, declining quality of services and unintended impacts on citizens' lives. These outcomes can result from rushed planning, abandonment of normal consultation and decision-making forums, and a failure to properly evaluate programs. As such, we audited and tabled reports in Parliament on WA Health's COVID-19 response preparedness, the status of public testing systems, governance of the COVID-19 Relief Fund, and application of temporary procurement changes prompted by the pandemic by entities.

This focus will continue into next year with audits already in progress on the roll-out of State stimulus initiatives and the administration of financial hardship support offered by local government entities to people adversely impacted by COVID-19.

Surveys of performance audit entities

For each performance report we table in Parliament, we invite audited entities to participate in a survey. These are conducted by an independent research company and concentrate on 3 focus areas: audit process, audit reporting and audit value. Entities are asked several questions relating to the priority areas and we use the results to identify key drivers to improve our performance.

In 2020-21, the performance audit survey response rate was 77%. Three rounds were conducted throughout the year, where 37 entities provided feedback to the OAG. Overall, results were positive, achieving strong results for audit process, especially regarding auditor professionalism. Substantial improvement was seen in our auditors adequately understanding the subject matter being audited as this was an area of concern in previous years.

We use the results of these surveys to identify areas where we may need additional effort or training, and we continue to view secondment opportunities for employees as a way to enhance their understanding of operating environments across the sector.

| Focus area | Indicator | % Agree | | | | |
|-----------------|---|---------|---------|---------|---------|---------|
| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Audit process | The auditors communicated with us effectively | 85 | 85 | 76 | 88 | 84 ↓ |
| | We were promptly informed of significant issues/findings as they arose during the audit | 73 | 78 | 72 | 78 | 75 ↓ |
| | The auditors adequately understood our organisation, including our operating environment | 44 | 63 | 52 | 43 | 65 ↑ |
| | The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit | 80 | 74 | 72 | 81 | 81 — |
| | The auditors conducted themselves professionally during the audit | 93 | 96 | 93 | 97 | 97 — |
| Audit reporting | We were provided with adequate opportunities to comment on the audit findings and issues before the final report was tabled in Parliament | 78 | 85 | 86 | 90 | 94 ↑ |
| | The tabled audit report communicated the audit findings and issues clearly | 83 | 70 | 66 | 87 | 86 ↓ |
| | The tabled audit report was factually accurate | 71 | 56 | 68 | 77 | 73 ↓ |
| Audit value | The tabled audit report was balanced and fair | 71 | 67 | 64 | 77 | 75 ↓ |
| | The audit will help us improve the performance of the audited activity | 75 | 63 | 79 | 83 | 64 ↓ |

Table 13: Performance audit survey results of key questions in 3 focus areas

Performance audit topic selection

Deciding what to audit is a key part of the Auditor General's independence. 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. The Auditor General is not subject to direction from anyone in relation to audit topics but must have regard to the audit priorities of Parliament as determined by either House of Parliament, the Public Accounts Committee and the Standing Committee on Estimates and Financial Operations.

We consult regularly with these committees and other members of Parliament to assist with gathering information on topics we might audit. We also draw topic ideas from other sources including State and local government entities, the community, whistleblowers, other audit offices and our employees.

We assess and review potential topics against our criteria, priority themes and report category KPIs. We aim to select a program that is balanced in its coverage, contains topics that matter to Parliament and the community, and reflects how and where the State is spending taxpayer's money. We also ensure potential audits fit appropriately within the Auditor General's legislative mandate and are not duplicative of, or better suited to, review by other bodies, including other integrity agencies.

A key part of establishing our forward audit program is firstly discussing potential topic ideas with key stakeholders that may have a view on the topic, the timing of the potential audit and any other considerations that may influence the audit program. When an audit begins, we update the audit program on our website and include the audit objective, focus and timeframes, at www.audit.wa.gov.au/audit-program.

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

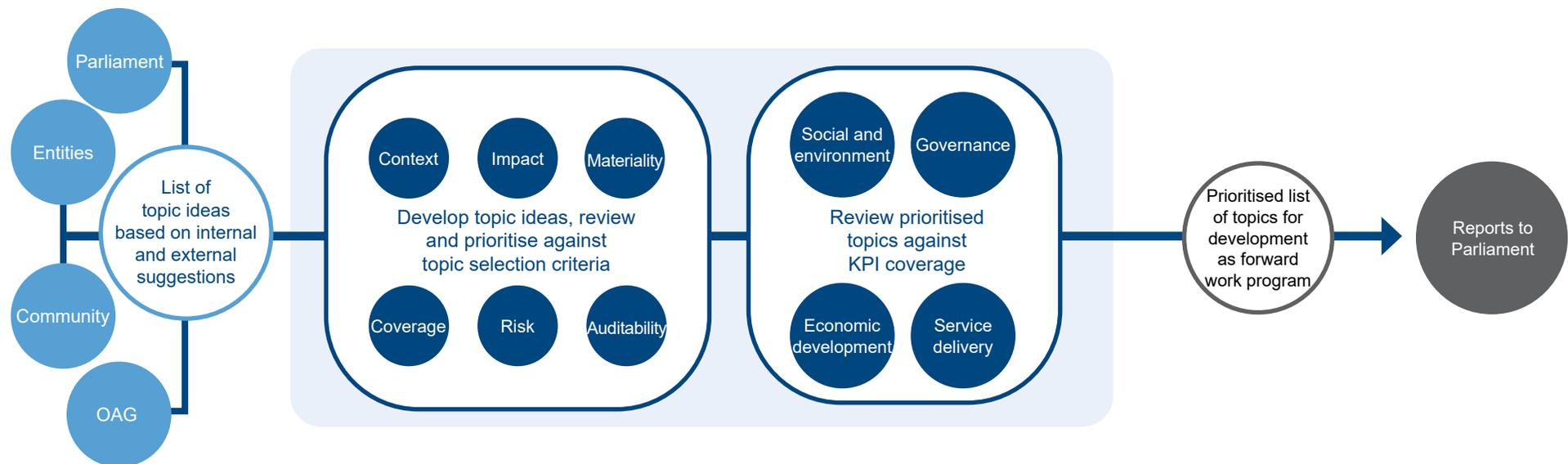


Figure 11: Our topic selection framework

Opinions on ministerial notifications

When a Minister decides not to provide certain information to Parliament concerning the conduct or operation of a State government entity (usually a decision taken in response to a parliamentary question), then requirements under section 82 of the *Financial Management Act 2006* and section 24 of the *Auditor General Act 2006* come into force.

Essentially, the Minister is required to notify the Auditor General of their decision not to provide information and the Auditor General is then required to form an opinion and report to Parliament on the reasonableness and appropriateness of the Minister's decision. A number of ministerial notifications are referred to the OAG each year and this year we received 4. A notification may result in more than 1 opinion. This year we issued 12 opinions, 1 disclaimer and 2 instances where no opinion was required. Summaries of the ministerial notification reports we tabled in Parliament are available from page 77.

| | Pre 2010-11 ¹ | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
|--|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| Number of ministerial notifications received | 49 | 2 | 2 | 0 | 4 | 13 | 10 | 23 | 27 | 27 | 14 | 4 | 175 |
| Number of parliamentary questions included in notices received | 60 | 2 | 3 | 0 | 7 | 14 | 10 | 50 | 27 | 27 | 14 | 4 | 218 |
| Number of opinions tabled | 61 | 2 | 3 | 0 | 5 | 11 | 11 | 55 | 19 | 20 | 12 | 12 | 211 |
| reasonable | 57 | 0 | 3 | 0 | 3 | 8 | 7 | 8 | 11 | 15 | 8 | 9 | 129 |
| not reasonable | 4 | 2 | 0 | 0 | 2 | 3 | 4 | 47 | 8 | 5 | 4 | 3 | 82 |
| An opinion could not be/was not provided | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 3 | 4 | 4 | 3 | 18 |
| Being assessed at June 2021 | | | | | | | | | | | | 1 | 1 |
| Total cost for opinions tabled (\$'000) | - | 89 | 18 | 0 | 47 | 136 | 232 | 528 | 393 | 484 | 365 | 487 | 2,779 |
| Total hours for opinions tabled ² | - | 391 | 102 | 0 | 212 | 655 | 1,013 | 2,174 | 1,962 | 2,459 | 1,360 | 2,702 | 13,030 |

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

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

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

Table 14: Ministerial notifications received by OAG

OAG oversight

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

Internal audit

Historically, we have conducted our internal audit program between April and June each year. In 2021, we developed an Internal Audit Plan that considered operational capacity, as several major projects were being delivered during the usual audit program timeline. This resulted in a more dispersed approach to the audit program.

Six internal audits are scheduled for completion in 2021, some of which commenced prior to 30 June but were not planned to be completed before the end of the financial year. These audits are focused on project management, financial controls, cost allocation and information governance.

Next year, we will use our updated risk management framework which aligns with our assurance practices and 4 lines of defence model, to inform our internal audit program. This will allow us to better identify high consequence risks with critical controls and ensure they are being evaluated for effectiveness.

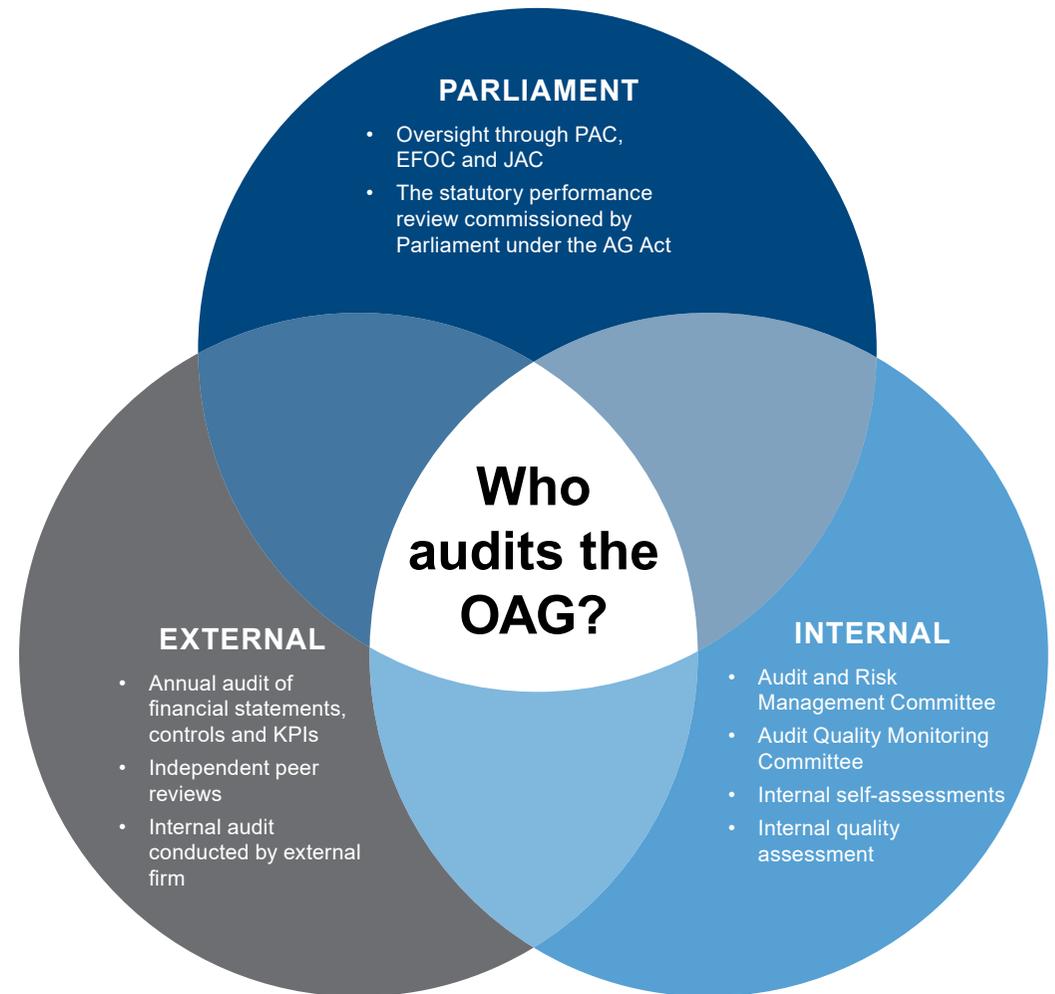


Figure 12: Oversight of the OAG

Self-assessment against our audit reports

Many of the audits we conduct of entities also have relevance to us. Especially our focus area audits, as they concentrate on common business practices across the public sector, and our IS audits, which give us the opportunity to assess our internal IS management.

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

In 2021, we planned to conduct 4 self-assessments including 2 focus area audits relating to purchasing cards and contract extensions, 1 performance audit relating to staff exit controls, and the biennial State Supply Commission audit.

The 2 focus area audit self-assessments have been completed with the other assessments to be delivered later in the year. Findings were identified in both these audits and new or enhanced controls are being considered or implemented. We expect to close out all findings in 2021.

Independent reviews

Our Audit Quality Monitoring Committee (AQMC) develop an annual Quality Assurance Plan. In 2021, the AQMC selected 1 information systems performance audit, 1 performance audit and 5 financial audit files for cold (post-finalisation) review. An inflight review of a focus area audit was also selected. These quality reviews were assigned to external providers, both of whom highlighted their satisfaction with the cooperation and professionalism of our teams.

Eleven recommendations were identified, some of which have already been closed out, with the remainder being considered by the relevant Assistant Auditor General. AQMC monitors the implementation of the recommendations from all independent reviews to ensure the relevant business units take appropriate action to address any significant matters that are identified.

Unfortunately, due to border and travel restrictions, the Australasian Council of Auditors-General peer review that was planned for 2021 has not been scheduled. We are currently investigating alternative options for completing this, as these reviews provide us with continuous improvement opportunities and challenge our approach and thinking.



Figure 13: Cadet induction



Figure 14: Parliament House

Working with Parliament

Unlike public sector entities, we do not report to or through 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:

- briefing ministers and parliamentarians on our tabled reports
- briefing our parliamentary oversight committees on our proposed forward audit program, current audits and key operational matters
- briefing new ministers, members of Parliament and parliamentary committees on the role of the Auditor General
- providing submissions to parliamentary inquiries and appearing before committees to give evidence on matters relevant to our remit.

Parliamentary inquiries

Our interactions with committees were limited throughout the reporting period with Parliament not sitting between December 2020 and May 2021, during which time the 40th session concluded and the State election was held.

We enjoyed productive and positive working relationships with both the Legislative Assembly's Public Accounts Committee (PAC) and the Legislative Council's Standing Committee on Estimates and Financial Operations (EFOC) throughout the entirety of the 40th session of Parliament. In its final months, PAC tabled its 5th [report](#) on actions entities were taking in response to recommendations in our performance audit reports. The Committee's omnibus report considered entity responses to 34 OAG reports tabled between 2015 and 2018. It was pleasing to note the sentiments of the outgoing PAC Chair, Dr Tony Buti MLA, who noted in his foreword that the Committee and OAG 'have demonstrated a shared commitment towards improving the quality of public administration'.

We were also very pleased to interact on several occasions with the EFOC in its final months, both via an appearance before the Committee and in written correspondence to assist the Committee with its critical function of scrutinising annual reports and Budget estimates. The Committee's interest in our operations and audit program was a constant source of assurance and accountability.

Even though the 41st Parliament is still in its early stages, we have been fortunate to have already met with the new members of PAC and EFOC to brief them on our role and activities. We look forward to establishing similarly collaborative relationships with both committees over the next 4 years.

As with the previous session of Parliament, we remain available to assist other committees where our work is relevant to their lines of inquiry. One such committee we supported in the previous Parliament was the Select Committee into Local Government, which tabled its

comprehensive final [report](#) in September 2020. Included among the Committee's suite of recommendations are ideas aimed at easing the reporting burden we currently see with many local government entities. It was encouraging to observe the Committee's conclusion that our 'involvement in the local government sector has been positive'.

Members of Parliament survey

We conducted our biennial survey of parliamentarians in the second half of 2020 and received responses from 24 members. This equates to an overall response rate of 25%, which was down slightly from our previous survey in the 2018-2019 reporting year.

General perceptions of the OAG remained positive and increased in some areas. However, overall satisfaction with reports and services declined to 85% from 95%. Readership and use of OAG reports declined to 63% from 72% in 2018-2019, although those who did engage with our reports rated the quality of the reports substantially higher than in the previous survey.

We also received ratings of 100% for our responsiveness and the extent to which our advice or information met the needs of enquiring members.

One of the main suggestions for improvement was a call from some respondents for greater engagement with parliamentarians when deciding audit topics. In response, we are already liaising with the new PAC and EFOC to discuss ways to facilitate greater feedback on our audit program from across the Parliament. Next financial year includes delivery of a workshop for new Members of Parliament on the role of the OAG and the ways in which they can use our reports to inform their work within the Parliament and their local community.

Working with our peers and stakeholders

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

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

Australasian Council of Auditors-General macro benchmarking survey

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

The time and cost of performance audits is an example of an ACAG benchmark measure. Calculated consistently across all participating offices, from commencement date to the tabling date, the average time our office takes to table a performance audit is below the state and territory average. This is also reflected in the average cost of our performance audit reports. This reflects the number of short, sharp, limited assurance reviews on the COVID-19 preparedness and response we completed this year.

| Average time to undertake a performance audit | 2018-19 (months) | 2019-20 (months) | 2020-21 (months) |
|---|------------------|------------------|------------------|
| OAG | 10.4 | 11.5 | 10.2 |
| Average of states and territories | 12.0 | 11.1 | 12.2 |

| Average cost of performance audits | 2018-19 (\$'000) | 2019-20 (\$'000) | 2020-21 (\$'000) |
|------------------------------------|------------------|------------------|------------------|
| OAG | \$342 | \$352 | \$328 |
| Average of states and territories | \$384 | \$394 | \$366 |

| Percentage of available office hours charged to audit activities | 2018-19 (%) | 2019-20 (%) | 2020-21 (%) |
|--|-------------|-------------|-------------|
| OAG | 57 | 58 | 55 |
| Average of states and territories | 58 | 59 | 59 |

Table 15: Selected ACAG benchmarking survey results

Insights from the benchmarking inform opportunities in terms of our productivity, cost and resourcing. It assists us with identifying where changes may be needed and where efficiency improvements can be sought.

Department of Treasury

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

We also discussed with Treasury initiatives undertaken by other bodies that affect the public sector as a whole including drafts of proposed new accounting standards issued by the Australian Accounting Standards Board and WA public sector valuations.

Department of Local Government, Sport and Cultural Industries

We have regularly engaged with the Department of Local Government, Sport and Cultural Industries as local government entities transition to the OAG as their auditor. This engagement has assisted with our understanding of the sector and informs them about our processes. During the year we liaised with the Department on:

- financial reporting requirements
- training needs for the sector
- our financial and performance audit program.

We will also liaise, and support as appropriate, the Department to address the findings of our audit report on the support and regulation of the sector (page 83). The role of the Department as a central agency for the sector is essential to building strong foundations for an accountable, efficient and effective local government sector.





Changes to the Local Government (Financial Management) Regulations 1996

Changes to accounting standards and other financial reporting requirements can have a significant impact on entities in terms of implementation effort and resources. Therefore, early notification and planning is important for a smooth reporting and auditing season.

During the 2019 audit season, we advised the Department of Local Government, Sport and Cultural Industries that there had been a change to the financial reporting (accounting) standards that would impact the 2020 year. We asked whether it had considered the impact of the change on local government entities' reporting of assets, and the possibility of amending the Local Government (Financial Management) Regulations 1996 (FM Regulations) to reduce the reporting requirements relating to the change.

The Department did not commence formal consultation with the sector, through the Western Australian Local Government Association and LG Professionals WA, about proposed changes to the FM Regulations until 12 August 2020, after the end of the relevant financial year. LG Professionals WA asked the OAG to explain the proposed changes and how they might apply to local government 2019-20 financial statements at a webinar. We also prepared documentation to assist local government entities understand the issues and facilitate discussion.

The changes to the FM Regulations were gazetted on 6 November 2020, some 4 months after the end of the financial year, which affected the finalisation of financial statements for approximately half of the sector, and the timely issuing of OAG auditor's reports. At the time we issued a position paper to provide guidance to local government entities on the application of the changes to the FM Regulations.

While we are working actively to support enhanced financial management and capability across the local government sector, the level of OAG involvement required to progress this particular financial framework matter was surprising, and excessive for the independent auditor. The momentum and action on this should more appropriately have been driven by the central policy agency for the sector, the Department, as part of the regulation and support role for which it is mandated and funded. We made recommendations to this effect in our performance audit on the support and regulation of the local government sector (page 83).

State Records Commission

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

Public sector entities use public funds to provide services, deliver programs and manage assets. Good records support good decision-making, effective business practice and improve accountability and efficiency.

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



New role on the Australian Accounting Standards Board

In January 2021, the Auditor General commenced a 3 year term on the Australian Accounting Standards Board. The non-remunerated role will allow the Auditor General to provide a balanced public sector perspective for the Board's deliberations, contributing to the development of practical accounting standards that will in turn further enhance WA public sector reporting and accountability.

Managing feedback and complaints

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

Our website includes information on how to contact us and provides the opportunity to submit a referral, provide feedback on current audits or suggest a future audit topic. Information received through these avenues may be examined under the *Auditor General Act 2006* and considered as part of our topic selection process (page 58).

Referrals

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

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

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

In November 2020, we reviewed our Referrals and Enquiry Policy and reduced our target of providing a response from 10 working days to 5, unless the matter is complex in which case, we will acknowledge the referral within 5 days and indicate when a response can be expected.

In 2020-21, we received 177 referrals, similar in number to the 179 we received last year. The number of referrals has increased significantly since we assumed responsibility for auditing the local government sector in the 2017-2018 financial year.

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

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

Table 16: Number of referrals and enquiries received 2016-17 to 2020-21

In 2020-21, we took an average of 3.1 days to respond to referrals, a decrease from 4.2 days last year. Prior to the policy change in November, we responded to 86% of all referrals and enquiries within the working day target of 10 days, which was a slight decrease on last year (88%). From the policy change, we responded to 82% of referrals within 5 working days. Although the average days to respond has improved, we will continue to work on improving our timeframes to improve the percentage of referrals responded to within our new 5 working day target.

Public interest disclosures

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

In 2020-21, we spent 106 hours on PID matters. We assessed 9 matters, 4 met the PID criteria.

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

Complaints

We define a complaint as any expression of dissatisfaction made to the OAG about our people, practices, products or services or the complaints handling process itself.

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

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

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

Table 17 shows that we have received 8 complaints this year, an increase on previous years. The majority of complaints related to local government entity financial audit fees, and timeliness and process. We have fielded ongoing questions around the issue of audit fees during the 4 year transition of all of WA's 148 local governments to our financial audit cycle. We released a [paper](#) explaining the cost-drivers for our financial audit fees, and continue to engage with the sector to discuss ways entities can help reduce audit costs and the efforts we are making to advocate for a reduced reporting burden, particularly among smaller entities.

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|----------------------|---------|---------|---------|---------|---------|
| Number of complaints | 1 | 1 | 1 | 4 | 8 |

Table 17: Number of complaints about the OAG received 2016-17 to 2020-21

Introducing our *Strategic Plan 2021-2025*

Our approach  Demonstrating excellence



Demonstrating excellence

This new pillar, demonstrating excellence, is about leading by example. This includes our approach to auditing and ensuring we have appropriate internal processes that allow us to meet our key performance indicators. We will ensure we meet, if not exceed, the good governance standards that we expect to see in the entities we audit.

What is our objective?

- model exemplary standards in how we undertake our business

How will we do it better?

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

What we do

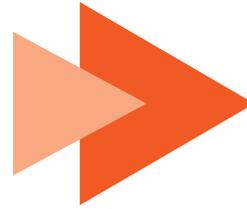
- strengthen and continuously improve business processes and our performance against key performance metrics

What does success look like?

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



Demonstrating excellence



Our products

Value for money, timely, relevant, accurate, quality, innovative

| | |
|--|----|
| Financial auditing | 74 |
| State government entities | 75 |
| Local government entities | 75 |
| Our reports tabled in 2020-21 | 76 |
| Making a difference – audit impact | 88 |
| Recognition of our annual report | 89 |
| <i>Strategic Plan 2021-2025 – Delivering results</i> | 90 |



Our highlights...



We tabled a record
33
reports in Parliament



We delivered
92%
of State government entity
opinions within 90 days of
financial year end



We delivered a record
289
financial audit opinions and
252 certifications



We took an average of
73
days to issue State
government entity financial
audit opinions

Financial auditing

This year we delivered 289 audit opinions and 252 certifications for State and local government entities.

| Audit opinions issued | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|------------|------------|------------|------------|------------|
| Annual Report on State Finances | 1 | 1 | 1 | 1 | 1 |
| Parliamentary departments | 3 | 3 | 3 | 3 | 3 |
| Government departments | 45 | 46 | 31* | 29 | 29 |
| Statutory authorities | 83 | 84 | 84 | 82 | 84 |
| Local government entities | na | na | 45 | 111 | 123 |
| Universities and State training providers | 9 | 9 | 9 | 9 | 9 |
| Superannuation funds | 2 | 2 | 2 | 2 | 2 |
| Corporatised entities | 13 | 13 | 13 | 12 | 14 |
| Cemetery boards | 7 | 4 | 4 | 4 | 2 |
| Subsidiary entities | 20 | 17 | 20 | 18 | 18 |
| Request audits | 4 | 4 | 5 | 4 | 4 |
| Total | 187 | 183 | 217 | 275 | 289 |

* Numbers reduced due to amalgamations from public sector reform.

| Certifications issued | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|------------|------------|------------|------------|------------|
| State government entities – statutory and other | 28 | 32 | 30 | 29 | 21 |
| State government entities – Royalties for Regions | 235 | 201 | 166 | 117 | 99 |
| Local government entities | na | na | 5 | 17 | 132 |
| Total | 263 | 233 | 201 | 163 | 252 |

Table 18: Audit opinions and certifications issued for the past 5 years

State government entities

We aim to deliver all audit opinions in time for entities to table annual reports within 90 days of the end of the financial year as required by the *Financial Management Act 2006*. This year we achieved 92%, due to a number of entities not being audit ready (Table 19). It took us an average of 73 days to issue our financial audit opinions.

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|---------|---------|---------|
| % | 100 | 97.9 | 98.4 | 97.5 | 92 |

Table 19: Percentage of audit opinions issued to State government entities within 90 days of financial year end

Local government entities

During 2020-21, we were responsible for auditing 132 local government entity financial statements. We issued 123 audit opinions by 30 June: 122 for the 2019-20 financial year and 1 outstanding from the 2018-19 financial year. Sixty-five opinions, or 49%, were issued before the required date of 31 December 2020. There are 10 audit opinions outstanding for the 2019-20 financial year which we will report to Parliament in an audit results report. Next year we will audit all 148 local government financial statements, bringing an end to the transition period stipulated in the *Local Government Amendment (Auditing) Act 2017* as we continue the roll-in schedule for the remaining local government entities (Table 20).

There were a variety of reasons for delays in audit completion, including the late changes to the Local Government (Financial Management) Regulations 1996 (gazetted on 6 November 2020) which caused significant disruption to local government entities' preparation of their financial statements and the audit process. Other factors included poor quality of financial reports that required numerous corrections, no analysis of new accounting standards by the end of financial year and staffing shortages. We are working to ensure future year audits run more seamlessly and we will continue to help the sector to improve this result.

| Financial year | Total LG entity audits | Status |
|----------------|------------------------|--|
| 2017-18 | 46 | Reported to Parliament in March 2019 |
| 2018-19 | 112 | Reported to Parliament in March 2020 |
| 2019-20 | 132 | Reported to Parliament in June 2021 (page 86) |
| 2020-21 | 148 | Audits taking place during the second half of 2021, to be reported 2022. |

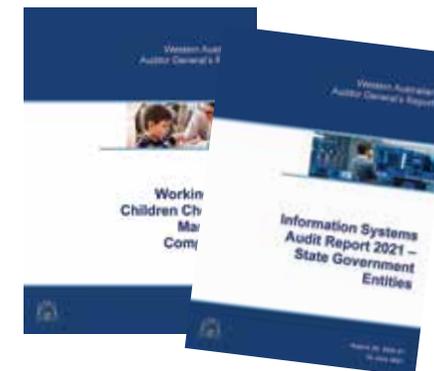
Table 20: Financial audit roll-in schedule for local government entities

Our reports tabled in 2020-21

During 2020-21, we tabled 33 reports in Parliament the largest number ever tabled by the OAG. We aim to deliver timely, relevant and quality assurance reports on public sector performance and accountability. These reports help us to achieve our vision and outcome of an informed Parliament and community, and work that makes a difference and helps to improve the public sector.

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

Website statistics provide an indication of the degree of public interest in our reports.



| Report | Total page views | PDF downloads |
|---|------------------|---------------|
| <i>Annual Report 2019-20</i> (24 September 2020) | 2,905 | 539 |
| <i>Information Systems Audit Report</i> (29 June 2017) | 2,066 | 60 |
| <i>Audit Results Report – Annual 2019-20 Financial Audits of State Government Entities</i> (11 November 2020) | 2,022 | 741 |
| <i>Regulation and Support of the Local Government Sector</i> (30 April 2021) | 1,811 | 441 |
| <i>Grants Administration</i> (28 January 2021) | 1,559 | 409 |
| <i>Transparency Report: Current Status of WA Health’s COVID-19 Response Preparedness</i> (24 September 2020) | 1,557 | 347 |
| <i>Working with Children Checks – Managing Compliance</i> (15 July 2020) | 1,543 | 363 |
| <i>Western Australian Public Sector Audit Committees – Better Practice Guide</i> (25 June 2020) | 1,542 | 1,113 |
| <i>Information and Communication Technology (ICT) in Education</i> (17 August 2016) | 1,399 | 51 |
| <i>Information Systems Audit Report 2020 – Local Government Entities</i> (25 June 2020) | 1,336 | 596 |

Table 21: Top 10 reports accessed from the OAG website 2020-21

2020-21 reports



Report 1

Working with Children Checks – Managing Compliance

- KPI category – Governance
- Tabled – 15 July 2020

This audit assessed whether the WA Health system and the Departments of Education and Justice complied with their working with children obligations. We found all 3 entities understood the need for Working with Children Cards but none fully complied with their obligations or could not be sure that everyone who needed a card, had one. The report contains a number of recommendations to ensure entities manage their working with children obligations. These are relevant to all public sector entities who work with children.



Report 2

Opinion on Ministerial Notification – Agriculture Digital Connectivity Report

- KPI category – Governance
- Tabled – 30 July 2020

In this report the Auditor General found the decision by the Minister for Regional Development; Agriculture and Food; Ports to provide Parliament with a redacted version of the *Study on Improvements in WA Agriculture Digital Connectivity Infrastructure* report was reasonable and therefore appropriate.



Report 3

Waste Management – Service Delivery

- KPI category – Service delivery
- Tabled – 20 August 2020

This audit assessed whether local government entities plan and deliver effective waste management services to their communities. We found kerbside waste collection at the local government level is largely effective but inadequate waste planning, including for waste infrastructure, and support for local government entities has limited the effectiveness of waste management and the State's ability to meet its *State Waste Strategy* targets. The report contains recommendations to assist entities work towards achieving the targets.

2020-21 reports



Report 4

Managing the Impact of Plant and Animal Pests: Follow-up

- KPI category – Economic development
 - Tabled – 31 August 2020
-

This audit assessed whether State government entities effectively addressed findings from our 2013 report. We found the Department of Primary Industries and Regional Development and the Department of Biodiversity, Conservation and Attractions had not addressed all findings. The entities had established a framework for collaborating on pest management and released a statewide plan that defines stakeholders' roles and responsibilities; however, neither had been fully implemented or evaluated.



Report 5

Transparency Report: Current Status of WA Health's COVID-19 Response Preparedness

- KPI category – Service delivery
 - Tabled – 24 September 2020
-

This limited assurance review provides information to Parliament and the public about the status of WA Health's COVID-19 response preparedness. WA Health stated that it is well prepared for a potential outbreak of COVID-19 and that surge planning and preparations have been made in the key areas of personal protective equipment, ventilated bed capacity and staffing. At the time of our audit, WA Health had also made good progress on developing outbreak plans and working more closely with various sectors, including aged care. An increased focus on testing and contact tracing capability is also evident.



Report 6

Transparency Report: Major Projects

- KPI category – Economic development
 - Tabled – 29 October 2020
-

This limited assurance review provides information around the cost and time performance of 15 major State government projects. Of the 15 projects none publicly reported cost and time progress on a regular basis. However, all were being managed within their current approved funding. Detailed planning has resulted in increased funding for 3 projects and 5 have had their funding reduced. The Departments of Treasury and Finance and Infrastructure WA supported, in principle, the report's recommendation to work together to improve transparency through regular reporting to Parliament and the public on the cost, time and status of major projects.

2020-21 reports

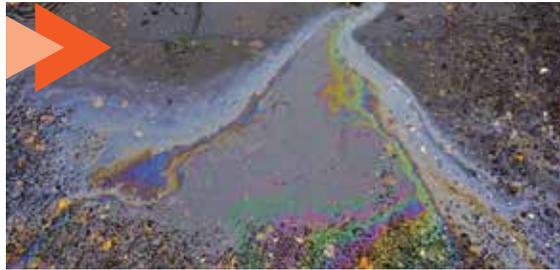


Report 7

Audit Results Report – Annual 2019-20 Financial Audits of State Government Entities

- ▶ KPI category – Governance
- ▶ Tabled – 11 November 2020

This report is the summary of the 2019-20 financial year audits for 143 State government entities. We found most entities were performing satisfactorily in relation to their financial reporting and controls. However, 26% of the financial management control issues and 41% of the information system control weaknesses we reported to entities were unresolved issues from the previous year. All State government entity audit committees and management should consider the good practice and common issues presented in the report.



Report 8

Regulating Minor Pollutants

- ▶ KPI category – Social and environment
- ▶ Tabled – 26 November 2020

This audit assessed if the Department of Water and Environmental Regulation and local government entities effectively regulate the unauthorised discharge of minor pollutants by businesses that do not require a licence. We found the Department is not effectively regulating and local government entities are not obligated to under the *Environmental Protection Act 1986*. The report includes several recommendations including for the Department to conduct a risk assessment of these businesses and to develop guidance to assist local government entities that choose to regulate in this area.



Report 9

Western Australian Registry System – Application Controls Audit

- ▶ KPI category – Service delivery
- ▶ Tabled – 26 November 2020

This audit assessed if the Department of Justice had key controls in place to ensure the data held in its WA Registry System was complete, accurately captured, processed and maintained. The audit was originally conducted in 2018, but due to the significant system vulnerabilities found, the Auditor General delayed publicly tabling the report so as not to risk exposing the system to deliberate harm, instead reporting directly to parliamentary committees and the Minister in the first instance. The Department has since worked to address these weaknesses and we have verified key actions implemented.

2020-21 reports



Report 10

COVID-19: Status of WA Public Testing Systems

- KPI category – Service delivery
 - Tabled – 9 December 2020
-

This limited assurance review assessed if WA Health effectively prepared to provide pathology testing during the COVID-19 pandemic. We found that WA Health was preparing for a surge of around 20,000 COVID-19 tests per day (to be delivered by public and private laboratories), the State's PathWest laboratories had planned and prepared to meet surge needs and test processing times had improved. We also identified some unaddressed risks, including that PathWest did not have enough physical space to process tests in the event of a surge, especially at its Fiona Stanley Hospital laboratory.



Report 11

COVID-19 Relief Fund

- KPI category – Governance
 - Tabled – 21 December 2020
-

This audit assessed whether Lotterywest and the Department of Local Government, Sport and Cultural Industries implemented effective governance and assessment arrangements for phase 1 of the COVID-19 Relief Fund. We found the governance arrangements were largely effective and application assessment, approval and payment arrangements were sound. The report contains recommendations to help Lotterywest strengthen its approach to managing future grants, including to improve its conflict of interest processes and recordkeeping practices.



Report 12

Grants Administration

- KPI category – Governance
 - Tabled – 28 January 2021
-

This audit assessed if the sampled State government entities had sound grant administrative practices for various stages of the grant process, including awarding and approval of grants, monitoring of grant milestones, acquittal of grants and assessing the effectiveness of their grant programs. We found only 2 of the 8 entities displayed sound policies, practices and controls.

2020-21 reports



Report 13

Opinion on Ministerial Notification – Release of Schedule of Stumpage Rates

- KPI category – Governance
- Tabled – 24 February 2021

In this report the Auditor General found a decision by the Minister for Forestry not to provide Parliament with all the information used to calculate payments to sharefarmers was reasonable and therefore appropriate. The nature of the question was very broad, and the information requested included all customer and contractor rates that are used to calculate these payments. It was reasonable and appropriate for the Minister not to provide these individualised pricing rates, as each arrangement is usually deemed commercial-in-confidence, and in recognition of the large number of individual contractors and customers involved.



Report 14

Opinion on Ministerial Notification – Hotel Perth Campaign Reports

- KPI category – Governance
- Tabled – 24 February 2021

In this report the Auditor General found the decision by the former Minister for Tourism not to provide Parliament with 5 post-campaign performance reports in full and the number of people booking travel as a result of the Hotel Perth Campaign was not reasonable and therefore not appropriate. Some of the information was publicly known or not commercially sensitive and, in some cases, there was no obligation of confidence. The former Minister tabled redacted documents in Parliament however, the extent of redaction was not clear in the tabled documents. There were numerous undisclosed redactions, resulting in a higher implied level of completeness and transparency than was apparent from the tabled documents.



Report 15

Opinions on Ministerial Notifications – Tax and Funding Information Relating to Racing and Wagering Western Australia

- KPI category – Governance
- Tabled – 26 February 2021

In this report the Auditor General found 2 decisions by the former Minister for Racing and Gaming not to provide Parliament with tax and funding information relating to Racing and Wagering WA was not reasonable and therefore not appropriate. This is because the information was not commercially sensitive and was later published.

2020-21 reports



Report 16

Application Controls Audits 2021

- KPI category – Service delivery
 - Tabled – 9 March 2021
-

This report summarises the results of our audit of 4 entities' IT applications during 2019-20. We found control weaknesses across all 4 business applications and reported 75 findings to the entities. Most related to poor information security, policies and procedures. Most of the issues are relatively simple and inexpensive to fix. Addressing these weaknesses is a key priority for these entities and it was pleasing to see that they have addressed, or are in the process of actively addressing, them.



Report 17

Department of Communities' Administration of Family and Domestic Violence Support Services

- KPI category – Social and environment
 - Tabled – 11 March 2021
-

This audit assessed if the Department effectively administers contracts for the provision of support services for people experiencing family and domestic violence. We found the Department generally administered service provider contracts well but lacked an overarching understanding of current demand for some services and how long people wait to access the services. The report includes a number of recommendations to assist the Department to strengthen the administration of support services and aspects of contract management.



Report 18

Regulation of Consumer Food Safety by the Department of Health

- KPI category – Economic development
 - Tabled – 1 April 2021
-

This audit assessed if the Department effectively regulates consumer food safety in food businesses. It follows our June 2020 report on regulation by local government entities and focuses on the Department's inspection and enforcement processes, support to local government entities and monitoring and reporting of regulation activities. We found the Department could improve in all 3 areas.

2020-21 reports



Report 19

Opinion on Ministerial Notification – Bennett Brook Disability Justice Centre

- KPI category – Governance
- Tabled – 8 April 2021

In this report the Acting Auditor General found the decision by the former Minister for Disability Services not to provide Parliament with information about offences each resident of the Bennett Brook Disability Justice Centre is alleged to have committed was reasonable and therefore appropriate. The information requested is confidential under the *Declared Places (Mentally Impaired Accused) Act 2015*.



Report 20

Opinions on Ministerial Notifications – Policing Information

- KPI category – Governance
- Tabled – 28 April 2021

In this report the Auditor General found decisions by the former Minister for Police not to provide Parliament with information about 3 different policing matters was reasonable and therefore appropriate. The requested information related to mobile phone offences, Kimberley liquor restrictions and an assessment of crime trends based on prejudice.



Report 21

Regulation and Support of the Local Government Sector

- KPI category – Service delivery
- Tabled – 30 April 2021

This audit assessed whether the Department of Local Government, Sport and Cultural Industries effectively regulates and supports the local government sector. We found the Department is not and that its regulation is becoming more reactive and less focused on prevention, whereas early intervention helps to prevent breakdowns in governance and helps build capability in the sector. The report contains recommendations to assist the Department to establish a more effective regulatory framework and help it target resources to areas of greatest risk and impact.

2020-21 reports



Report 22

Opinion on Ministerial Notification – Hospital Facilities Services

- KPI category – Governance
- Tabled – 6 May 2021

In this report the Auditor General found a decision by the Minister for Health not to provide Parliament with the cost of returning 15 of 21 services, under a facilities management agreement with Serco at Fiona Stanley Hospital, to the public sector was reasonable and therefore appropriate. This is because the information is considered Cabinet-in-confidence. An opinion was not required regarding the 6 remaining services as this costing information did not exist at the time.



Report 23

Local Government General Computer Controls

- KPI category – Governance
- Tabled – 12 May 2021

This report looked at general computer controls across 50 local government entities and found 328 weaknesses. These weaknesses can compromise the confidentiality, integrity and availability of entities' information systems. All entities, not just those audited, need to act on the findings and recommendations of this report.



Report 24

Opinion on Ministerial Notification – DPIRD Capability Review

- KPI category – Governance
- Tabled – 18 May 2021

In this report the Auditor General found a decision by the Minister for Regional Development and Agriculture and Food not to provide Parliament with a full version of the Department of Primary Industries and Regional Development's Capability Review was reasonable and therefore appropriate. This is because the redacted information is considered Cabinet-in-confidence.

2020-21 reports



Report 25

Delivering Essential Services to Remote Aboriginal Communities – Follow-up

- ▶ KPI category – Service delivery
- ▶ Tabled – 2 June 2021

This audit assessed the progress made by the Department of Communities towards effectively meeting its responsibilities to deliver services to remote Aboriginal communities since our 2015 report. We found the Department had made some progress on all 6 of the 2015 recommendations. Power and water supplies were more reliable and wastewater services were more consistently monitored than in 2015. However, 37 communities remained at risk of unsafe water.



Report 26

Audit Results Report – 2020 Financial Audits of Universities and TAFEs

- ▶ KPI category – Governance
- ▶ Tabled – 2 June 2021

This report summarises the results of the annual financial audits of Western Australia's 4 public universities, their subsidiaries and the 5 TAFEs. All received clear audit opinions for their financial statements, controls and key performance indicators. However, we identified 38 financial and management control weaknesses and 103 information systems control weaknesses, with 26% and 42% unresolved from last year respectively. The report also shows the financial impact of COVID-19 on the sector and some of the measures taken by entities in response.



Report 27

Opinion on Ministerial Notification – Port Agreements

- ▶ KPI category – Governance
- ▶ Tabled – 11 June 2021

In this report the Auditor General found a decision by the former Minister for Ports to provide Parliament with redacted copies of agreements between Cliffs Asia Pacific Iron Ore and Southern Ports Authority was, on balance, reasonable and therefore appropriate. While the majority of redactions were reasonable, there were instances where the redacted information was already available in public sources or was inconsistently redacted between the documents. Entities should take care in redacting information to be provided to Parliament, to ensure that Government can be as transparent as possible.

2020-21 reports



Report 28

Western Australian Public Sector Financial Statements – Better Practice Guide

- KPI category – Governance
- Tabled – 14 June 2021

This stand-alone guide provides better practice principles and guidance to WA public sector officers with responsibility for preparing and overseeing financial statements. It supports entities in a practical sense to implement sound financial reporting arrangements to fulfill statutory obligations. The guide includes a toolkit with useful resources for all State and local government entities.



Report 29

Information Systems Audit Report 2021 – State Government Entities

- KPI category – Governance
- Tabled – 16 June 2021

This was the Auditor General's 13th separate report on State government entities' general computer controls. Compared to last year, entities have improved their controls in 4 of 6 categories, but information security remains an area of significant concern. The report includes a summary of common weaknesses found relating to remote access controls. All public sector entities should consider the recommendations and case studies in the report to see how they can be applied to their operations.



Report 30

Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities

- KPI category – Governance
- Tabled – 16 June 2021

This report summarises the third year of our 4 year transition into local government financial auditing. It includes the results of 117 local government entities for 2019-20, all but 1 of which received a clear audit opinion. However, the audits identified 704 financial management control weaknesses and 328 information systems control weaknesses, and we reported 101 material matters of non-compliance. The report also details issues with audit delays, the impact of COVID-19 on local government entities and the need for the Department to provide centralised support.

2020-21 reports



Report 31

Improving Prisoner Literacy and Numeracy

- KPI category – Social and environment
 - Tabled – 23 June 2021
-

This audit assessed how effectively the Department of Justice addresses the literacy and numeracy needs of adult prisoners. We found prisoner needs are identified effectively and the Department creates and delivers education to meet these needs. However, there are opportunities for the Department to improve how it measures the impact of, and to encourage greater participation in, its education courses.



Report 32

Disclaimer of Opinion on Ministerial Notification – Bushfire Centre of Excellence

- KPI category – Governance
 - Tabled – 23 June 2021
-

In this report the Auditor General provided a rare disclaimer of opinion. The Auditor General was unable to provide an opinion on the former Minister for Emergency Services; Corrective Services' decision not to provide information to Parliament due to refusal by the Minister's office to provide access to the unredacted document on which to form an opinion.



Report 33

Temporary Abbreviated State Procurement Control Requirements

- KPI category – Governance
 - Tabled – 30 June 2021
-

This audit assessed if 25 State government entities were appropriately applying temporary abbreviated procurement requirements put in place in response to the COVID-19 pandemic. We found 19 entities chose to apply the changes and all did so correctly and 6 chose not to apply the changes. However, 58% of entities had deficiencies in their general procurement practices such as staff not completing conflict of interest declarations.

Making a difference – audit impact

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 that our work is having an impact and of our progress in meeting our outcome.

Some examples announced or implemented this year, where our work has informed, influenced or directly resulted in change include:



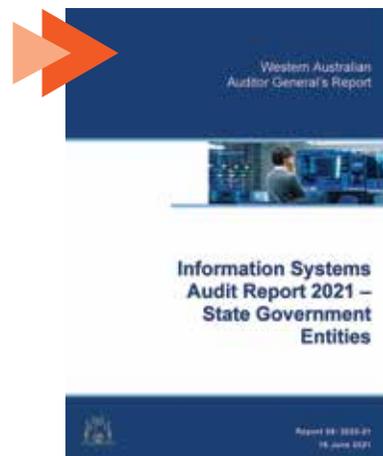
Waste Management – Service Delivery (2020)

Since tabling the report in August 2020, the Waste Authority and the Department of Water and Environmental Regulation have already completed a number of our audit recommendations. This includes supporting local government entities to improve the accuracy of their waste and recycling data and establishing a new requirement (as well as providing support) for local government entities to prepare a standardised waste plan.



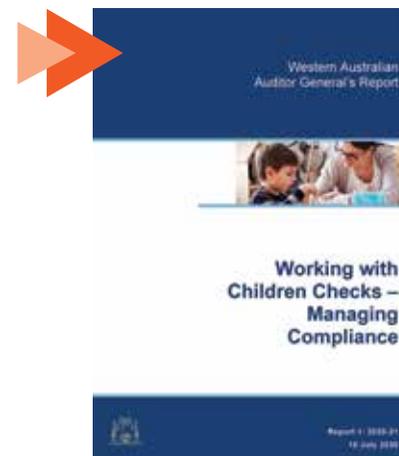
Regulation and Support of the Local Government Sector (2020)

In Parliament on 13 May 2021, the Minister for Local Government agreed with the report's recommendations and advised he was focused on reforming the sector and had already begun engaging with local government entities to do so.



Information systems audits

For over 13 years the Auditor General has reported to Parliament on public sector information systems, including issues of cyber security. The Office of Digital Government has released a guidance paper to bolster the maturity of cyber security in State Government and has acknowledged our audit findings in this area.



Working with Children Checks – Managing Compliance (2020)

The Director General of the Department of Health has advised the Department has undertaken a review of the WA health system Working with Children Policy, systems and procedures following our audit and has identified 27 recommendations to facilitate improvements.



Recognition for our annual report

This year we were proud to receive significant recognition for our *Annual Report 2019-2020* at the W.S Lonnie Awards.

We were awarded the gold award for our category as well as the overall award for best annual report of the year.

The judges commented it was “a very polished report with ample discussion of both the meeting of set goals and an explanation as to why some areas were not met. It provided a very clear explanation of performance, KPIs and improvement options. The report has a very professional feel, good graphics and at a glance information at the beginning of each section”.

The report was themed around our celebration of 190 years of the Auditor General in Western Australia as well as the impact of COVID-19 on our people and operations. We are pleased to be at the forefront of transparent reporting to Parliament and the Western Australian community.



Figure 15: Recently retired Assistant Auditor General Business Services, Sadie Godfrey, receives our gold award from the Honourable Kim Beazley AC, Governor of Western Australia



Figure 16: Auditor General Caroline Spencer with Deputy Audit General Sandra Labuschagne and members of the Business Services business unit at the W.S Lonnie Awards



Introducing our *Strategic Plan 2021-2025*

Our products  Delivering results



Delivering results

Ultimately this new pillar is still about our products, but it encourages us to go a step above and focus on the purpose of our work to help improve public sector performance. We will complete high quality audits and deliver credible reports that will give Parliament, entities and the public confidence in our findings and recommendations. All business areas are responsible for contributing to this part of our strategic plan and each will develop operational plans to support it.

What is our objective?

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

How will we do it better?

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

What we do

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

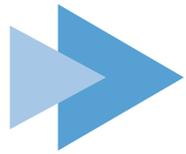
What does success look like?

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



Delivering results





Certification of financial statements

For the reporting period ended 30 June 2021

The accompanying financial statements of the Office of the Auditor General have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2021 and the financial position as at 30 June 2021.

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.

Michelle Ellis
Chief Finance Officer
3 September 2021

Caroline Spencer
Accountable Authority
3 September 2021

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 2021, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and the Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Office of the Auditor General for the year ended 30 June 2021 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, *the Financial Management Act 2006* and relevant Treasurer's Instructions.

Basis for Opinion

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

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



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Independent auditor's opinion

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 2021, the Office recorded audit fee revenue of \$25.5 million, of which accrued revenue relating to engagements in progress of \$10.97 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 4 and 6. |

Page 2 of 9

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 \$4.56 million, of which \$3.3 million is current and \$1.2 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. . | <p>Our procedures amongst others included:</p> <ul style="list-style-type: none">• Obtaining the client schedules for each class of provision and agreed the amounts to the general ledger;• Testing of the design, implementation and effectiveness of the key processes and controls relating to payroll;• Checking arithmetic calculations within each of these schedules;• Testing a sample of employees' movements in entitlements to supporting documentation;• Reviewing the actuarial assessment of annual and long service leave;• Testing the provisions for completeness by comparing the listing to payroll records; and• Assessing the appropriateness of the disclosures included in Note 3.1(b). |

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 2021, 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.

Independent auditor's opinion

Independent Auditor's Report

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

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

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

Responsibilities of the Auditor General for the Financial Statements

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

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

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.

Independent auditor's opinion

Independent Auditor's Report

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

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

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

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

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.

Independent auditor's opinion

Independent Auditor's Report

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

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 2021.

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.

Independent auditor's opinion

Independent Auditor's Report

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

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

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

Limitations of Controls

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

Report on the Key Performance Indicators

Opinion

We have undertaken a reasonable assurance engagement on the key performance indicators of the Office of the Auditor General for the year ended 30 June 2021. 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 access the Office's performance and fairly represent indicated performance for the year ended 30 June 2021.

Independent auditor's opinion

Independent Auditor's Report

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

Auditor General's Responsibility for the Key Performance Indicators

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

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

Auditor's Responsibility

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

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

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

Independent auditor's opinion

Independent Auditor's Report

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

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

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

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

This auditor's report relates to the financial statements and key performance indicators of the Office of the Auditor General for the year ended 30 June 2021 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.



HALL CHADWICK
Chartered Accountants



CHRIS NICOLOFF CA
Partner

Dated at Perth this 6th day of September 2021



Statement of comprehensive income

For the year ended 30 June 2021

| | Notes | 2021 \$'000 | 2020 \$'000 |
|---|---------------------|----------------|----------------|
| COST OF SERVICES | | | |
| Expenses | | | |
| Employee benefits expenses | 3.1(a) | 21,120 | 18,608 |
| Supplies and services | 3.2 | 13,056 | 10,694 |
| Depreciation and amortisation expense | 5.1.1, 5.2.1, 5.3.1 | 173 | 369 |
| Accommodation expenses | 3.2 | 2,171 | 2,196 |
| Finance cost | 7.4 | 1 | 2 |
| Other expenses | 3.2 | 62 | 79 |
| Total cost of services | | 36,583 | 31,948 |
| Revenue and Income | | | |
| User charges and fees | 4.2 | 7,465 | 6,998 |
| Other revenue | 4.3 | 30 | 33 |
| Total revenue | | 7,495 | 7,031 |
| Total income other than income from State Government | | 7,495 | 7,031 |
| NET COST OF SERVICES | | 29,088 | 24,917 |
| Income from State Government | | | |
| Service appropriation | 4.1 | 11,132 | 9,116 |
| Income from other public sector entities | | 18,052 | 16,318 |
| Resources received free of charge | | 422 | 426 |
| Total income from State Government | | 29,606 | 25,860 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | | 518 | 943 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 518 | 943 |

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

Statement of financial position

As at 30 June 2021

| | Notes | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|--------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7.1 | 5,563 | 5,187 |
| Receivables | 6.1 | 11,380 | 9,885 |
| Amounts receivable for services | 6.2 | 390 | 390 |
| Other current assets | 6.3 | 647 | 577 |
| Total Current Assets | | 17,980 | 16,039 |
| Non-Current Assets | | | |
| Restricted cash and cash equivalents | 7.1 | 357 | 262 |
| Amounts receivable for services | 6.2 | 4,541 | 4,160 |
| Property, plant and equipment | 5.1 | 287 | 104 |
| Right-of-use assets | 5.2 | 54 | 78 |
| Intangible assets | 5.3 | 276 | 11 |
| Total Non-Current Assets | | 5,515 | 4,615 |
| TOTAL ASSETS | | 23,495 | 20,654 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 6.4 | 3,233 | 1,978 |
| Provisions | 3.1(b) | 3,313 | 2,800 |
| Lease Liabilities | 7.3 | 25 | 36 |
| Total Current Liabilities | | 6,571 | 4,814 |
| Non-Current Liabilities | | | |
| Provisions | 3.1(b) | 1,248 | 1,018 |
| Lease Liabilities | 7.3 | 30 | 42 |
| Total Non-Current Liabilities | | 1,278 | 1,060 |
| TOTAL LIABILITIES | | 7,849 | 5,874 |
| NET ASSETS | | 15,646 | 14,780 |
| EQUITY | | | |
| Contributed equity | 9.4 | 9,579 | 9,231 |
| Accumulated surplus | | 6,067 | 5,549 |
| TOTAL EQUITY | | 15,646 | 14,780 |

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 2021

| | Notes | Contributed equity \$'000 | Accumulated surplus \$'000 | Total equity \$'000 |
|---|-------|------------------------------|-------------------------------|------------------------|
| Balance at 1 July 2019 | 9.4 | 8,931 | 4,606 | 13,537 |
| Surplus/(deficit) | | - | 943 | 943 |
| Total comprehensive income for the period | | - | 943 | 943 |
| Transactions with owners in their capacity as owners: | | | | |
| Capital appropriations | 9.4 | 300 | - | 300 |
| Total | | 300 | - | 300 |
| Balance at 30 June 2020 | | 9,231 | 5,549 | 14,780 |
| Balance at 1 July 2020 | 9.4 | 9,231 | 5,549 | 14,780 |
| Surplus/(deficit) | | - | 518 | 518 |
| Total comprehensive income for the period | | - | 518 | 518 |
| Transactions with owners in their capacity as owners: | | | | |
| Capital appropriations | 9.4 | 348 | - | 348 |
| Total | | 348 | - | 348 |
| Balance at 30 June 2021 | | 9,579 | 6,067 | 15,646 |

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 2021

| | Notes | 2021 \$'000 | 2020 \$'000 |
|---|------------|-----------------|-----------------|
| CASH FLOWS FROM STATE GOVERNMENT | | | |
| Service appropriation | | 10,361 | 8,395 |
| Capital appropriations | | 348 | 300 |
| Funds from other public sector entities | | 17,642 | 16,466 |
| Holding Account drawdown | | 390 | 323 |
| Net cash provided by State Government | | 28,741 | 25,484 |
| Utilised as follows: | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Employee benefits | | (20,236) | (18,479) |
| Supplies and services | | (12,012) | (10,334) |
| Finance costs | | (1) | (2) |
| Accommodation | | (1,749) | (1,770) |
| GST payments on purchases | | (1,532) | (964) |
| GST payments to taxation authority | | (1,612) | (1,553) |
| Other payments | | (62) | (79) |
| Receipts | | | |
| User charges and fees | | 6,459 | 6,619 |
| GST receipts on sales | | 2,458 | 2,299 |
| GST receipts from taxation authority | | 406 | 155 |
| Other receipts | | 232 | 31 |
| Net cash used in operating activities | | (27,649) | (24,077) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments | | | |
| Purchase of non-current assets | | (575) | (42) |
| Receipts | | | |
| Proceeds from sale of non-current assets | | - | - |
| Net cash used in investing activities | | (575) | (42) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payments | | | |
| Principal elements of lease payments | | (46) | (44) |
| Net cash used in financing activities | | (46) | (44) |
| Net increase/(decrease) in cash and cash equivalents | | 471 | 1,321 |
| Cash and cash equivalents at the beginning of the period | | 5,449 | 4,128 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 7.1 | 5,920 | 5,449 |

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

Summary of consolidated account appropriations

For the year ended 30 June 2021

| | 2021 Budget Estimate \$'000 | 2021 Supplementary Funding \$'000 | 2021 Revised Budget \$'000 | 2021 Actual \$'000 | 2021 Variance \$'000 |
|--|--------------------------------------|--|-------------------------------------|--------------------------|----------------------------|
| DELIVERY OF SERVICES | | | | | |
| Item 72 Net amount appropriated to deliver services | 10,573 | - | 10,573 | 10,321 | (252) |
| Amount Authorised by Other Statutes | | | | | |
| - <i>Salaries and Allowances Act 1975</i> | 811 | - | 811 | 811 | - |
| Total appropriations provided to deliver services | 11,384 | - | 11,384 | 11,132 | (252) |
| CAPITAL | | | | | |
| Item 122 Capital appropriations | 348 | - | 348 | 348 | - |
| GRAND TOTAL | 11,732 | - | 11,732 | 11,480 | (252) |

Notes to the financial statements

1: Basis of preparation

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

These annual financial statements were authorised for issue by the Accountable Authority of the OAG on 3 September 2021.

Statement of compliance

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

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

The *Financial Management Act 2006* and Treasurer's Instructions take precedence over AAS. Several AAS are modified by the TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

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

Judgements and estimates

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

Contributed Equity

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

2: Office outputs

How the Office operates

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

2.1 Office objectives

Mission

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

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

Services

The Office is responsible for the delivery of 1 service: public sector auditing. This comprises the external audit of WA State and local government sectors through audits of financial statements, controls and key performance indicators and audits of efficiency, effectiveness and compliance of public sector operations.

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

2021
\$'000

2020
\$'000

3: Use of our funding

Expenses incurred in the delivery of services

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

| | Notes | 2021 \$'000 | 2020 \$'000 |
|-----------------------------|--------|----------------|----------------|
| Employee benefits expense | 3.1(a) | 21,120 | 18,608 |
| Employee related provisions | 3.1(b) | 4,561 | 3,818 |
| Other expenditure | 3.2 | 15,289 | 12,969 |

3.1(a) Employee benefits expenses

Financial disclosure

| | | |
|---|---------------|---------------|
| Employee benefits | 19,356 | 16,756 |
| Termination benefits | - | 254 |
| Superannuation – defined contribution plans | 1,764 | 1,598 |
| Total employee benefits expenses | 21,120 | 18,608 |
| Add: AASB 16 Non-monetary benefits | 47 | 47 |
| Less: Employee contributions | (30) | (22) |
| Net employee benefits | 21,137 | 18,633 |

3.1(a) Employee benefits expenses (continued)

Accounting policy

Employee benefits: Include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits (such as cars) for employees.

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

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

2021
\$'000

2020
\$'000

3.1(b) Employee related provisions

Financial disclosure

Current

Employee benefits provision

| | | |
|-----------------------------------|--------------|--------------|
| Annual leave ^(a) | 1,986 | 1,503 |
| Long service leave ^(b) | 1,273 | 1,255 |
| Purchased leave ^(c) | 43 | 29 |
| | 3,302 | 2,787 |

Other provisions

| | | |
|------------------------------------|----|----|
| Employment on-costs ^(d) | 11 | 13 |
|------------------------------------|----|----|

Total current employee related provisions

3,313 **2,800**

Non-current

Employee benefits provision

| | | |
|-----------------------------------|-------|-------|
| Long service leave ^(b) | 1,246 | 1,014 |
|-----------------------------------|-------|-------|

Other provisions

| | | |
|------------------------------------|---|---|
| Employment on-costs ^(d) | 2 | 4 |
|------------------------------------|---|---|

Total non-current current employee related provisions

1,248 **1,018**

Total employee related provisions

4,561 **3,818**

3.1(b) Employee related provisions (continued)

Accounting policy

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

(a) Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. All annual leave is considered to be a current liability. An actuarial assessment of annual leave was undertaken by PricewaterhouseCoopers (PwC) Actuaries at 30 June 2021. The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

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

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

(b) Long service leave

The provision for long service leave is calculated at present value as the Office does not expect to wholly settle the amounts within 12 months. An actuarial assessment of long service leave was undertaken by PwC Actuaries at 30 June 2021. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date.

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

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

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

(c) Purchased leave

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

(d) Employment on-costs

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

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| 3.2 Other expenditure | | |
| <i>Financial disclosure</i> | | |
| <i>Supplies and services</i> | | |
| Contracted audit work – State | 4,336 | 3,988 |
| Contracted audit work – Local government | 3,973 | 3,223 |
| Other services and contracts | 2,755 | 1,714 |
| Other staffing costs | 399 | 252 |
| Repairs and maintenance | 566 | 686 |
| Travel and accommodation | 266 | 240 |
| Administration | 489 | 303 |
| Consumables | 65 | 100 |
| Motor vehicle lease expenses | 38 | 36 |
| Artwork leases | - | 4 |
| Communications | 121 | 130 |
| Advertising | 36 | 1 |
| Other | 12 | 17 |
| Total supplies and services expenses | 13,056 | 10,694 |
| <i>Accommodation expenses</i> | | |
| Office lease rentals ^(a) | 1,626 | 1,615 |
| Office parking | 102 | 78 |
| Monthly outgoings | 443 | 503 |
| Total accommodation expenses | 2,171 | 2,196 |
| <i>Other expenses</i> | | |
| Employment on-costs | 19 | 25 |
| Other expenses | 43 | 54 |
| Total other expenses | 62 | 79 |
| Total other expenditure | 15,289 | 12,969 |

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

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

4: Our funding sources

How we obtain our funding

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

| | Notes | 2021 \$'000 | 2020 \$'000 |
|------------------------------|-------|----------------|----------------|
| Income from State Government | 4.1 | 29,606 | 25,860 |
| User charges and fees | 4.2 | 7,465 | 6,998 |
| Other revenue | 4.3 | 30 | 33 |

4.1 Income from State Government

Financial disclosure

Appropriation received during the period:

| | | |
|--------------------------------------|---------------|--------------|
| Service appropriation ^(a) | 11,132 | 9,116 |
| | 11,132 | 9,116 |

Income received from other public sector entities during the period:

| | | |
|---|---------------|---------------|
| Audit Fee – General Government | 13,756 | 12,330 |
| Audit Fee – Public Non-Financial Corporations | 3,519 | 3,245 |
| Audit Fee – Public Financial Corporations | 777 | 743 |
| | 18,052 | 16,318 |

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

| | | |
|--------------------------|------------|------------|
| State Solicitor's Office | 5 | - |
| Department of Finance | 417 | 426 |
| | 422 | 426 |

Total income from State Government

| | |
|---------------|---------------|
| 29,606 | 25,860 |
|---------------|---------------|

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

4.1 Income from State Government (continued)

Accounting policy

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

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

Treasurer's Instruction (TI) 1102 Statements of Comprehensive Income has been amended to require that income from State Government includes amounts paid by other public sector entities (controlled by the WA State Government) on a charge out basis (such as audit fees) that would have otherwise been included as part of user fees and charges in prior years. Therefore, consistent with TI 1102, the audit fees charged to other public sector entities have been reclassified from User charges and fees to Income received from other public sector entities within Income from State Government (including the comparatives).

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

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

2021
\$'000

2020
\$'000

4.2 User charges and fees

Financial disclosure

| | | |
|------------------------------|--------------|--------------|
| Audit Fee – Local Government | 5,476 | 4,950 |
| Audit Fee – Other | 1,989 | 2,048 |
| Total audit fees | 7,465 | 6,998 |

Accounting policy

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

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

Net appropriation determination – The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. The Office retained \$25.5 million in 2021 (\$23.3 million in 2020) from assurance and auditing fees, government vehicle scheme and other revenue.

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| 4.3 Other revenue | | |
| <i>Financial disclosure</i> | | |
| Contributions for the use of motor vehicle | 30 | 22 |
| Miscellaneous | - | 11 |
| | 30 | 33 |

5: Key assets

Assets the Office utilises for economic benefit or service potential

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

| | Notes | 2021 \$'000 | 2020 \$'000 |
|-------------------------------|-------|----------------|----------------|
| Property, plant and equipment | 5.1 | 287 | 104 |
| Right-of-use assets | 5.2 | 54 | 78 |
| Intangible assets | 5.3 | 276 | 11 |

5.1 Property, plant and equipment

Financial disclosure

Office and Computer Equipment

| | | |
|---|------------|------------|
| At cost | 2,553 | 2,281 |
| Accumulated depreciation | (2,266) | (2,177) |
| Carrying amount at end of period | 287 | 104 |

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

Office and Computer Equipment

| | | |
|---|------------|------------|
| Carrying amount at start of period | 104 | 325 |
| Additions | 283 | 42 |
| Depreciation | (100) | (263) |
| Carrying amount at end of period | 287 | 104 |

Accounting policy

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

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

| | | 2021 \$'000 | 2020 \$'000 |
|---|-------|----------------|----------------|
| 5.1.1 Depreciation and impairment of property, plant and equipment | | | |
| <i>Charge for the period</i> | | | |
| | Notes | | |
| Depreciation | | | |
| Office and computer equipment | 5.1 | 100 | 263 |
| Total depreciation for the period | | 100 | 263 |

As at 30 June 2021 there were no indications of impairment to property, plant and equipment or infrastructure.

Accounting policy – Depreciation and Useful lives

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

Office and computer equipment – 2 to 10 years.

Accounting policy – Impairment

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

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

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------|----------------|----------------|
| 5.2 Right-of-use assets | | |
| Right-of-use assets | | |
| Vehicles | 54 | 78 |
| Net carrying amount | 54 | 78 |

Additions to right-of-use assets during the 2021 financial year were \$26,257 (2020: \$ nil).

Initial recognition

Right-of-use assets are measured at cost, which includes:

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

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

Subsequent measurement

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

2021
\$'000

2020
\$'000

5.2.1 Depreciation and impairment of right-of-use assets

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

The following amounts relating to leases have been recognised in the statement of comprehensive income:

| | | |
|--|-----------|-----------|
| Vehicles | 46 | 45 |
| Total right-of-use assets depreciation | 46 | 45 |
| Lease interest expense (Note 7.4 Finance cost) | 1 | 2 |

The total cash outflow for leases in 2021 was \$47,000 (2020: \$46,000).

As at 30 June 2021 there were no indications of impairment to right-of-use assets.

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

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

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in 'Note 5.1.1 Depreciation and impairment of property, plant and equipment'.

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

2021
\$'000

2020
\$'000

5.3 Intangible assets

Financial disclosure

Computer software

| | | |
|---|------------|-----------|
| At cost | 1,651 | 1,594 |
| Accumulated amortisation | (1,541) | (1,583) |
| Carrying amount at the end of the period | 110 | 11 |
| Computer software in development – at cost | 166 | - |
| Total | 276 | 11 |

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

Computer software

| | | |
|---|------------|-----------|
| Carrying amount at start of period | 11 | 72 |
| Additions | 126 | - |
| Amortisation expense | (27) | (61) |
| Carrying amount at end of period | 110 | 11 |

Computer software in development

| | | |
|---|------------|----------|
| Carrying amount at start of period | - | - |
| Additions | 166 | - |
| Carrying amount at end of period | 166 | - |

5.3 Intangible assets (continued)

Accounting policy

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

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

Additional policy

Software-as-a-service (SaaS) arrangements

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

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

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

- Fee for use of application software
- Customisation costs

Recognise as an operating expense as the service is received:

- Configuration costs
- Testing costs
- Data conversion and migration costs
- Training costs

2021
\$'000

2020
\$'000

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

5.3.1 Amortisation and impairment of intangible assets

Charge for the period

Amortisation

| | | |
|--|-----------|-----------|
| Computer software | 27 | 61 |
| Total amortisation for the period | 27 | 61 |

As at 30 June 2021 there were no indications of impairment to intangible assets.

Accounting policy – Amortisation and useful lives

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

Software – 3 years.

Accounting policy – Impairment

The policy in connection with testing for impairment is outlined in 'Note 5.1.1 Depreciation and impairment of property, plant and equipment'.

2021
\$'000

2020
\$'000

6: Other assets and liabilities

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

| | Notes | 2021 \$'000 | 2020 \$'000 |
|---|-------|----------------|----------------|
| Receivables | 6.1 | 11,380 | 9,885 |
| Amounts receivable for services (Holding Account) | 6.2 | 4,931 | 4,550 |
| Other assets | 6.3 | 647 | 577 |
| Payables | 6.4 | (3,233) | (1,978) |

6.1 Receivables

Financial disclosure

Current

| | | |
|---|---------------|--------------|
| Accrued revenue | 10,978 | 9,644 |
| GST receivables | 258 | 180 |
| Amounts receivable for employees seconded | 144 | 61 |
| Total | 11,380 | 9,885 |

Accounting policy

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

2021
\$'000

2020
\$'000

The collectability of receivables and accrued revenue is reviewed on an ongoing basis and any receivables and accrued revenue identified as uncollectable are written-off against the allowance account. The allowance for uncollectable amounts (doubtful debts) is determined as the lifetime expected credit losses. The impairment allowance is nil (2020: nil). The carrying amount is equivalent to fair value as it is due for settlement within 20 days.

6.2 Amounts receivable for services (Holding Account)

Financial disclosure

| | | |
|--------------|--------------|--------------|
| Current | 390 | 390 |
| Non-current | 4,541 | 4,160 |
| Total | 4,931 | 4,550 |

Accounting policy

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

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------|----------------|----------------|
| 6.3 Other assets | | |
| Current | | |
| Prepayments | 647 | 577 |
| Total | 647 | 577 |

6.4 Payables

Financial disclosure

| | | |
|--|--------------|--------------|
| Current | | |
| Trade payables | (1) | 26 |
| Accrued expenses | 1,778 | 1,160 |
| Accrued salaries | 365 | 224 |
| Paid parental leave | 3 | 4 |
| Work in progress contractor audit work | 1,088 | 564 |
| Total | 3,233 | 1,978 |

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 20 days.

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

7: Financing

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

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

7.1 Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of 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.

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

| | | |
|--------------------------------------|--------------|--------------|
| Cash and cash equivalents | 5,563 | 5,187 |
| Restricted cash and cash equivalents | 357 | 262 |
| | 5,920 | 5,449 |

Restricted cash and cash equivalents

Financial disclosure

Non-current

| | | |
|-----------------------------------|------------|------------|
| Accrued salaries suspense account | 357 | 262 |
| | 357 | 262 |

2021
\$'000

2020
\$'000

7.1 Cash and cash equivalents (continued)

Accounting policy

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

7.2 Commitments

Other expenditure commitments

Commitments for rent payments are payable as follows:

| | | |
|--|--------------|--------------|
| Within 1 year | 2,105 | 2,072 |
| Later than 1 year and not later than 5 years | 2,109 | 4,216 |
| Later than 5 years | - | - |
| | 4,214 | 6,288 |

The Office entered into a Memorandum of Understanding (MOU) with the Department of Finance for leasing floor space at Albert Facey House. While not a legally binding agreement, it has been agreed that all parties will comply with the terms and conditions as if they were legally enforceable obligations. It covers a 5-year occupancy period from 1 July 2018 with rent payable monthly in arrears. Provisions within the MOU require that the rent payments shall be increased by any increase in market indices from 1 July 2019 and bi-annually thereafter. This office accommodation MOU is not a lease under AASB 16 (see 'Note 5.2 Right-of-use assets').

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

2021
\$'000

2020
\$'000

| | | |
|--|---------------|---------------|
| Within 1 year | 6,783 | 5,408 |
| Later than 1 year and not later than 5 years | 9,424 | 5,858 |
| Later than 5 years | - | 54 |
| | 16,207 | 11,320 |

7.3 Lease liabilities

| | | |
|--------------------------------|-----------|-----------|
| Current | 25 | 36 |
| Non-current | 30 | 42 |
| Total lease liabilities | 55 | 78 |

Accounting policy

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options (where these are reasonably certain to be exercised)
- payments for penalties for terminating a lease, where the lease term reflects the Office exercising an option to terminate the lease.

2021
\$'000

2020
\$'000

7.3 Lease liabilities (continued)

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

Periods covered by extension or termination options are only included in the lease term by the Office if the lease is reasonably certain to be extended (or not terminated).

Variable lease payments, not included in the measurement of the lease liability are recognised by the Office in profit or loss in the period in which the condition that triggers those payments occurs. This section should be read in conjunction with 'Note 5.2 Right-of-use assets'.

Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

7.4 Finance cost

Finance cost

| | | |
|------------------------------|----------|----------|
| Lease interest expense | 1 | 2 |
| Finance cost expended | 1 | 2 |

2021
\$'000

2020
\$'000

8: Financial instruments and contingencies

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

| | |
|-----------------------------------|-------|
| | Notes |
| Financial Instruments | 8.1 |
| Contingent assets and liabilities | 8.2 |

8.1 Financial instruments

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

Financial assets

| | | |
|---|---------------|---------------|
| Cash and cash equivalents | 5,563 | 5,187 |
| Restricted cash and cash equivalents | 357 | 262 |
| Financial assets at amortised cost ^(a) | 16,053 | 14,255 |
| Total financial assets | 21,973 | 19,704 |

Financial liabilities

| | | |
|---|--------------|--------------|
| Financial liabilities at amortised cost | 3,233 | 1,978 |
| Total financial liabilities | 3,233 | 1,978 |

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

8.2 Contingent assets and liabilities

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

2021
\$'000

2020
\$'000

9: Other disclosures

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

| | Notes |
|--|-------|
| Initial application of Accounting Standards | 9.1 |
| Key management personnel | 9.2 |
| Related party transactions | 9.3 |
| Equity | 9.4 |
| Remuneration of auditor | 9.5 |
| Events occurring after the end of the reporting period | 9.6 |
| Supplementary financial information | 9.7 |
| Explanatory statement | 9.8 |

9.1 Initial application of Accounting Standards

There were no new standards initially applicable during the reporting period that had a material impact on the Office's financial statements.

9.2 Key management personnel

The Office has determined key management personnel to include senior officers of the OAG. The Office does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances. The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Office for the reporting period are presented within the following bands:

2021
\$'000

2020
\$'000

| Compensation band (\$) | 2021 | 2020 |
|--|---------------|---------------|
| 20,001 – 30,000 | 1 | - |
| 70,001 – 80,000 | - | 1 |
| 80,001 – 90,000 | 1 | 1 |
| 90,001 – 100,000 | - | 1 |
| 100,001 – 110,000 | - | 1 |
| 110,001 – 120,000 | 1 | - |
| 130,001 – 140,000 | 1 | - |
| 160,001 – 170,000 | 1 | - |
| 170,001 – 180,000 | - | 1 |
| 190,001 – 200,000 | 2 | - |
| 210,001 – 220,000 | 1 | 2 |
| 220,001 – 230,000 | 1 | - |
| 240,001 – 250,000 | - | 1 |
| 310,001 – 320,000 | - | 1 |
| 330,001 – 340,000 | 1 | - |
| 440,001 – 450,000 | - | 1 |
| 480,001 – 490,000 | 1 | - |
| | \$'000 | \$'000 |
| Total compensation of senior officers | 2,168 | 1,963 |

Total compensation includes the superannuation expense incurred by the Office in respect of senior officers.

9.3 Related party transactions

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

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

Material transactions with related parties

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

2021
\$'000

2020
\$'000

9.4 Equity

Financial disclosure

Contributed equity

| | | |
|--------------------------------------|--------------|--------------|
| Balance at start of period | 9,231 | 8,931 |
| Contributions by owners | | |
| Capital appropriation | 348 | 300 |
| Total contributions by owners | 348 | 300 |
| Balance at end of period | 9,579 | 9,231 |

Accumulated surplus

| | | |
|---------------------------------|--------------|--------------|
| Balance at start of period | 5,549 | 4,606 |
| Result for the period | 518 | 943 |
| Balance at end of period | 6,067 | 5,549 |

Total equity at end of period

15,646 **14,780**

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.

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |

9.5 Remuneration of auditor

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

| | | |
|--|----|----|
| Auditing the accounts, financial statements, controls and key performance indicators | 43 | 41 |
|--|----|----|

9.6 Events occurring after the end of the reporting period

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

9.7 Supplementary financial information

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

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

9.8 Explanatory statement

All variances between annual estimates (original budget) and actual results for 2021, and between the actual results for 2021 and 2020 are shown below. Narratives are provided for key major variances, which are greater than 10% and 1% of Total Cost of Services for the previous year for the Statement of Comprehensive Income and Statement of Cash Flows (i.e. 1% of \$31,948,000), and are greater than 10% and 1% of Total Assets for the previous year for the Statement of Financial Position (i.e. 1% of \$20,654,000).

| | Variance Note | Estimate 2021 \$'000 | Actual 2021 \$'000 | Actual 2020 \$'000 | Variance between estimate and actual \$'000 | Variance between actual results for 2021 and 2020 \$'000 |
|---|---------------|-------------------------|-----------------------|-----------------------|--|---|
| 9.8.1 Statement of Comprehensive Income Variances | | | | | | |
| Expenses | | | | | | |
| Employee benefits expense | a | 22,386 | 21,120 | 18,608 | (1,266) | 2,512 |
| Supplies and services | b | 12,214 | 13,056 | 10,694 | 842 | 2,362 |
| Depreciation and amortisation expense | 1 | 771 | 173 | 369 | (598) | (196) |
| Accommodation expenses | | 2,271 | 2,171 | 2,196 | (100) | (25) |
| Finance cost | | 4 | 1 | 2 | (3) | (1) |
| Other expenses | | 112 | 62 | 79 | (50) | (17) |
| Total cost of services | | 37,758 | 36,583 | 31,948 | (1,175) | 4,635 |
| Revenue and Income | | | | | | |
| User charges and fees | 2 | 9,633 | 7,465 | 6,998 | (2,168) | 467 |
| Other revenue | | - | 30 | 33 | 30 | (3) |
| Total Revenue | | 9,633 | 7,495 | 7,031 | (2,138) | 464 |
| Total income other than income from State Government | | 9,633 | 7,495 | 7,031 | (2,138) | 464 |
| NET COST OF SERVICES | | 28,125 | 29,088 | 24,917 | 963 | 4,171 |
| Income from State Government | | | | | | |
| Service appropriation | c | 11,384 | 11,132 | 9,116 | (252) | 2,016 |
| Income from other public sector entities | 3, d | 16,304 | 18,052 | 16,318 | 1,748 | 1,734 |
| Resources received free of charge | | 467 | 422 | 426 | (45) | (4) |
| Total income from State Government | | 28,155 | 29,606 | 25,860 | 1,451 | 3,746 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | | 30 | 518 | 943 | 488 | (425) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 30 | 518 | 943 | 488 | (425) |

9.8 Explanatory statement (continued)

| | Variance Note | Estimate 2021 \$'000 | Actual 2021 \$'000 | Actual 2020 \$'000 | Variance between estimate and actual \$'000 | Variance between actual results for 2021 and 2020 \$'000 |
|--|---------------|-------------------------|-----------------------|-----------------------|--|---|
| 9.8.2 Statement of Financial Position Variances | | | | | | |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | | 4,426 | 5,563 | 5,187 | 1,137 | 376 |
| Receivables | | 10,368 | 11,380 | 9,885 | 1,012 | 1,495 |
| Amounts receivable for services | | 390 | 390 | 390 | - | - |
| Other current assets | | 577 | 647 | 577 | 70 | 70 |
| Total Current Assets | | 15,761 | 17,980 | 16,039 | 2,219 | 1,941 |
| Non-Current Assets | | | | | | |
| Restricted cash and cash equivalents | | 332 | 357 | 262 | 25 | 95 |
| Amounts receivable for services | | 4,541 | 4,541 | 4,160 | - | 381 |
| Property, plant and equipment | 4 | 525 | 287 | 104 | (238) | 183 |
| Right of use assets | | 130 | 54 | 78 | (76) | (24) |
| Intangible assets | e | 200 | 276 | 11 | 76 | 265 |
| Total Non-Current Assets | | 5,728 | 5,515 | 4,615 | (213) | 900 |
| TOTAL ASSETS | | 21,489 | 23,495 | 20,654 | 2,006 | 2,841 |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Payables | | 2,389 | 3,233 | 1,978 | 844 | 1,255 |
| Provisions | 5, f | 2,790 | 3,313 | 2,800 | 523 | 513 |
| Lease Liabilities | | 36 | 25 | 36 | (11) | (11) |
| Total Current Liabilities | | 5,215 | 6,571 | 4,814 | 1,356 | 1,757 |
| Non-Current Liabilities | | | | | | |
| Provisions | 6, g | 1,019 | 1,248 | 1,018 | 229 | 230 |
| Lease Liabilities | | 97 | 30 | 42 | (67) | (12) |
| Total Non-Current Liabilities | | 1,116 | 1,278 | 1,060 | 162 | 218 |
| TOTAL LIABILITIES | | 6,331 | 7,849 | 5,874 | 1,518 | 1,975 |
| NET ASSETS | | 15,158 | 15,646 | 14,780 | 488 | 866 |
| EQUITY | | | | | | |
| Contributed equity | | 9,579 | 9,579 | 9,231 | - | 348 |
| Accumulated surplus | | 5,579 | 6,067 | 5,549 | 488 | 518 |
| TOTAL EQUITY | | 15,158 | 15,646 | 14,780 | 488 | 866 |

9.8 Explanatory statement (continued)

| | Variance Note | Estimate 2021 \$'000 | Actual 2021 \$'000 | Actual 2020 \$'000 | Variance between estimate and actual \$'000 | Variance between actual results for 2021 and 2020 \$'000 |
|---|------------------|----------------------------|--------------------------|--------------------------|--|---|
| 9.8.3 Statement of Cash Flows Variances | | | | | | |
| CASH FLOWS FROM STATE GOVERNMENT | | | | | | |
| Service appropriation | h | 10,613 | 10,361 | 8,395 | (252) | 1,966 |
| Capital appropriations | | 348 | 348 | 300 | - | 48 |
| Funds from other public sector entities | 7 | 15,986 | 17,642 | 16,466 | 1,656 | 1,176 |
| Holding Account drawdown | | 390 | 390 | 323 | - | 67 |
| Net cash provided by State Government | | 27,337 | 28,741 | 25,484 | 1,404 | 3,257 |
| Utilised as follows: | | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Payments | | | | | | |
| Employee benefits | | (22,299) | (20,236) | (18,479) | 2,063 | (1,757) |
| Supplies and services | i | (11,475) | (12,012) | (10,334) | (537) | (1,678) |
| Finance costs | | (4) | (1) | (2) | 3 | 1 |
| Accommodation | | (1,820) | (1,749) | (1,770) | 71 | 21 |
| GST payments on purchases | j | (1,800) | (1,532) | (964) | 268 | (568) |
| GST payments to taxation authority | 8 | - | (1,612) | (1,553) | (1,612) | (59) |
| Other payments | | (112) | (62) | (79) | 50 | 17 |
| Receipts | | | | | | |
| User charges and fees | 9 | 9,001 | 6,459 | 6,619 | (2,542) | (160) |
| GST receipts on sales | 10 | 1,630 | 2,458 | 2,299 | 828 | 159 |
| GST receipts from taxation authority | | 170 | 406 | 155 | 236 | 251 |
| Other receipts | | - | 232 | 31 | 232 | 201 |
| Net cash used in operating activities | | (26,709) | (27,649) | (24,077) | (940) | (3,572) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Payments | | | | | | |
| Purchase of non-current assets | 11, k | (1,271) | (575) | (42) | 696 | (533) |
| Receipts | | | | | | |
| Proceeds from sale of non-current assets | | - | - | - | - | - |
| Net cash used in investing activities | | (1,271) | (575) | (42) | 696 | (533) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Payments | | | | | | |
| Principal elements of lease payments | | (48) | (46) | (44) | 2 | (2) |
| Net cash used in financing activities | | (48) | (46) | (44) | 2 | (2) |
| Net increase/(decrease) in cash and cash equivalents | | (691) | 471 | 1,321 | 1,162 | (850) |
| Cash and cash equivalents at the beginning of the period | | 5,449 | 5,449 | 4,128 | - | 1,321 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 4,758 | 5,920 | 5,449 | 1,162 | 471 |

9.8 Explanatory statement (continued)

Major estimate and actual variance narratives

Statement of comprehensive income

1. Depreciation and amortisation expense is lower than the budget estimate by \$0.60m (77.6%) as the majority of the asset additions were purchased towards the end of the financial year.
2. User charges and fees is less than budget estimate by \$2.17m (22.5%) because of the delay in completion of some Local Government audits.
3. Income from other public sector entities is higher than the budget estimate by \$1.75m (10.7%) because of additional fees charged due to extended testing needed, mainly to review the entities' adoption and application of new accounting standards.

Statement of financial position

4. Property, plant and equipment is less than budget estimate by \$0.24m (45.3%) due to the delay in a networking equipment refreshment project.
5. Current provisions are \$0.52m (18.7%) higher than budget estimate as there was an increase in the total number of employees required to undertake local government financial and performance auditing.
6. Non-current provisions are \$0.23m (22.5%) higher than budget estimate due to the increase in the number of years of service for existing employees which in turn increased the long service leave provisions. There was also an increase in total number of employees, resulting in a further increase in provisions.

Statement of cash flows

7. Funds from other public sector entities exceeded the budget estimate by \$1.66m (10.4%) for the same reason cited in variance explanation note number 3.

8. GST payments to tax authority exceeded budget estimates by \$1.61m caused by this line item being reported wholly in the GST payments on purchases. The net effect of these line items is an increase of \$1.34m (74.7%), compared to the budget estimate. The main reason for the net increase is an increase in purchases of supplies and services for contracted audit work and other services and contracts.
9. Receipts for user charges and fees is lower than the budget estimate by \$2.54m (28.2%) for the same reason cited in variance explanation note number 2.
10. GST receipts on sales is greater than the budget estimate by \$0.83m (50.8%) due to an increase in income from other public sector entities for fees for financial audit opinions.
11. Payments for the purchase of non-current assets is lower than the budget estimate by \$0.70m (54.8%) due to the delay in a networking equipment refreshment and the financial system replacement.

Major actual (2021) and comparative (2020) variance narratives

Statement of comprehensive income

- a. Employee benefits expense increased by \$2.51m (13.5%) compared to prior year as there was an increase in the total number of employees to meet resource requirements for additional Local Government audits, as well as for the newly established Forensic Audit branch.
- b. Supplies and services increased by \$2.36m (22.1%) compared to prior year as the Office progressed auditing of Local Governments, the majority of which are contracted out to professional auditing and assurance firms. In addition, there was an increase in consultants and contractors to assist with the service delivery in the Forensic Audit branch, Financial Audit branch and Business Services.

9.8 Explanatory statement (continued)

- c. Service appropriation increased by \$2.02m (22.1%) compared to prior year to fund the establishment of a Data Analytics and Forensic Audit branch and the reclassification of the Deputy Auditor General position.
- d. Income from other public sector entities increased by \$1.73m (10.6%) compared to prior year because of additional fees charged due to extended testing needed, mainly to review the entities' adoption and application of new accounting standards.

Statement of financial position

- e. Intangible assets increased by \$0.26m (2358.5%) compared to prior year due to an increase in computer software projects to modernise our workplace.
- f. Current provisions increased by \$0.51m (18.3%) compared to prior year as there was an increase in the total number of employees.
- g. Non-current provisions increased by \$0.23m (22.6%) compared to prior year due to the increase in the number of years of service for existing employees which in turn increased the long service leave provisions. There was also an increase in total number of employees, resulting in a further increase in provisions.

Statement of cash flows

- h. Cash receipts for service appropriation increased by \$1.97m (23.4%) compared to prior year for the same reason cited in variance explanation note c.
- i. Payments for supplies and services increased by \$1.68m (16.2%) compared to prior year for the same reason cited in variance explanation note b.
- j. GST payments on purchases increased by \$0.57m (58.9%) compared to prior year due to an increase in purchases of supplies and services for contracted audit work and other services and contracts.
- k. Payments for the purchase of non-current assets increased by \$0.53m (1268.0%) compared to prior year due to the completion of a number of capital works projects for laptop replacements and the modernisation of computer software.

Certification of key performance indicators

For the year ended 30 June 2021

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 2021.



Caroline Spencer
Accountable Authority
3 September 2021

Performance indicators

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

Through our desired outcome, 'an informed Parliament on public sector accountability and performance' we provide oversight of government achievement of its 4 goals, including responsible financial management and better service delivery.

Key effectiveness performance indicators

We assess our effectiveness in informing Parliament about public sector accountability and performance by the number of tabled reports compared to annual and 3-year targets for each of the following categories of audit matter:

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

This year marked the conclusion of current 3-year reporting target period (2018-19 - 2020-21) . While we aim to meet these reporting targets, we are also concerned with the quality of our reports and will not sacrifice this requirement to achieve a quantitative measure.

Table 22 shows the number of reports tabled in the preceding 4 years, and our performance in 2020-21, and our performance against our 3-year target.

| Category | 2016-17 Actual | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Actual | 2020-21 Target | 3-year Actual 2018-19 - 2020-21 | 3-year Target 2018-19 - 2020-21 |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------------------------------------|
| Service delivery | 4 | 4 | 2 | 5 | 7 | 14 | 14 | 21 |
| Economic development | 1 | 3 | 1 | 2 | 3 | 9 | 6 | 12 |
| Social and environment | 1 | 6 | 3 | 1 | 3 | 8 | 7 | 12 |
| Governance | 20 | 14 | 23 | 20 | 20 | 2 | 63 | 45 |
| - Section 82 opinions | 7 | 4 | 8 | 10 | 10 | - | 28 | - |
| - Other | 13 | 10 | 15 | 10 | 10 | 2 | 35 | 45 |
| Total | 26 | 27 | 29 | 28 | 33 | 33 | 90 | 90 |

Table 22: Key effectiveness performance indicator 2016-17 to 2020-21

We were able to deliver 33 reports to Parliament for the financial year ended 30 June 2021, which is the highest number the Office has ever tabled over a 12-month reporting period. This result is a credit to the dedication and professionalism of our staff – particularly given the operational challenges COVID-19 continues to present. As a consequence, we met our 3-year overall reporting target, although our performance against category targets was mixed.

The shortfalls across our Service delivery, Economic development, and Social and environment categories were offset by a significant surplus of reports delivered under our Governance category.

As we have noted previously, our Governance reports include opinions on ministerial notifications under section 82 of the *Financial Management Act 2006*. The often complex, lengthy and unplanned nature of reviews required for these notifications are a legislative obligation and use the same resources as planned performance audit reports, causing the unfavourable results compared to targets in other report categories. Further, a variance between actual and target can arise given the Auditor General's decision to choose audit topics that in our view at the time would better reflect the audit priorities of the Parliament and inform the community.

Our topic selection process aims to provide Parliament with advice and assurance across all 4 categories of public sector activity so we retain this spread of reporting targets despite the anomalies presented by the section 82 notifications. However, our targets are 1 of several factors we consider in our selection of topics. Other factors include the significance of identified issues and matters referred to us by Parliament. These may also result in certain category targets not being met in a certain year.

For our next 3-year period (2021-22 - 2023-24), we have decreased our overall reporting target to 84. This reflects the significant diversion of audit resources to implementation of the new Audit Methodology and Tool and consolidating the transition of all 148 Local Government entities into OAG audit responsibility. This target allows for an additional report each year from our new Forensic Audit business unit. We have maintained a similar mix of category-specific reporting targets (22 Service delivery; 13 Economic development; 13 Social and environment; 36 Governance).

Key efficiency performance indicators

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

Our key efficiency performance indicators are:

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

| Efficiency indicator | 2016-17 Actual | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Actual | 2020-21 Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total audit cost per million dollars of gross government expenditure | \$449 | \$504 | \$575 | \$476 | \$491 | \$560 |
| Attest (financial) audit cost per million dollars of gross government expenditure | \$328 | \$372 | \$431 | \$369 | \$399 | \$449 |
| Performance audit cost per million dollars of gross government expenditure | \$121 | \$132 | \$144 | \$107 | \$92 | \$110 |
| Average number of days taken after balance date to issue financial audit opinions for State government entities | 65.5 days | 64.6 days | 65.6 days | 67.3 days | 79.2 days | 68.0 days |

Table 23: Key efficiency performance indicator 2016-17 to 2020-21

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

Although the OAG's costs in these efficiency indicators include the costs of local government audits, gross government expenditure from 2017-18 onwards does not include expenditure by local governments. This approach will be amended once the OAG has fully transitioned to auditing the local government client base.

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

Compared to the prior year, total audit and attest (financial) audit costs increased by 3.2% and 8.2% respectively, and performance audit cost decreased by 13.9% per million dollars of gross government expenditure. This is due in part to the overall 11.5% increase in gross government expenditure and increased local government audit costs between estimate periods. Compared to the targets, total audit, attest (financial) audit, and performance audit costs decreased by 12.2%, 11.2% and 16.5% respectively per million dollars of gross government expenditure. This is due to the 10.9% increase in gross government expenditure since the determination of the original target. Our audit fees, appropriation and expenditure limits have not kept up with government expenditure trends.

Section 64 of the *Financial Management Act 2006* requires Ministers to table entity annual reports, including the audit opinion on the financial statements, controls and key performance indicators in Parliament within 90 days of the end of a financial year. Accordingly, we have adopted an efficiency indicator which measures the average number of days taken after balance date to issue entity financial audit opinions. Our target has been set with regard to this statutory requirement for all State entity financial audits. The actual and corresponding target of this indicator does not include local government financial auditing given there is no legislative requirement surrounding the timeliness of tabling the financial statements. The results for 2020-21 show OAG was unable to remain within its stated timeliness target with a decline in timeliness compared to prior year. This is reflective of the overall increased annual workload of the Office from such things as additional local government audits and changes to accounting standards.

Other financial disclosures

Pricing policies

We have based our fee model on our legislation and Department of Treasury guidelines. Using this model, we invoice State and local government entities for financial audits inclusive of information systems (IS) auditing. Our fees also recover our financial audit focus area audits, the basis of which is on governance and financial accountability, and our IS application and general computer control audits.

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

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

Capital works

Incomplete capital projects (dollars spent this financial year)

- Microsoft 365 digital workplace improvements (\$48,000)
- eForms (\$15,000)
- Microsoft Power Apps (\$10,000)
- enterprise service management tools (\$90,000)
- Microsoft Teams telephony (\$3,000).

Completed capital projects (dollars spent this financial year)

During 2020-21 we continued our ongoing asset replacement program. Capital projects this year included:

- upgrade portable monitors (\$11,000)
- laptop replacement program (\$259,000)
- corporate iPhones (\$10,000)
- Microsoft Teams telephony (\$3,000)
- software projects – continued development of records management (\$54,000), windows server and SQL server upgrade (\$72,000).

Staff profile

| Category | At June 2021 | At June 2020 |
|----------------------------|--------------|--------------|
| Full time permanent | 137 | 118 |
| Full time contract | 33 | 18 |
| Part time permanent | 19 | 16 |
| Part time contract | 11 | 0 |
| Casual contract | 1 | 0 |
| On secondment into the OAG | 1 | 2 |
| Total | 202 | 154 |

Table 24: Our staff profile

Staff development

We are committed to developing our people and have an extensive program that delivered in excess of 17,800 hours of in-house and external training. As the result of our commitment to professional development and staff training, we are recognised as an employer partner by CPA Australia and Chartered Accountants Australia and New Zealand. More information on our program is outlined in the Learning and Professional Development section (page 25).

Workers compensation

This financial year 1 compensation claim of a minor nature was recorded. This compares with no compensation claims of a minor nature recorded in 2019-20.

Governance disclosures

Auditor General disclosure

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

At no time since my appointment as Auditor General have I engaged in paid employment outside the duties of my office. I am a member of the State Records Commission, as authorised by the State Records Act 2000, section 58n(a) and under the Commonwealth Electoral Act 1918 was appointed ex-officio member of the WA Electoral Boundary Redistribution Committee from November 2020 to August 2021. I was appointed to the Australian Accounting Standards Board from 1 January 2021 for 3 years on a non-remunerated basis.

- Caroline Spencer

Other legal requirements

Unauthorised use of credit cards

Our officers hold corporate credit cards where their functions warrant use of this facility. Despite cardholders being reminded of their obligations annually under our purchasing card policy, 1 employee inadvertently used their credit card for a personal purchase. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the amount, and that the nature of the expenditure was immaterial and characteristic of an honest mistake.

| Category | 2021 |
|---|--------|
| Number of instances the Western Australian Government Purchasing Cards have been used for personal purposes | 1 |
| Aggregate amount of personal use expenditure for the reporting period | \$2.50 |
| Aggregate amount of personal use expenditure settled by the due date (within 5 working days) | \$2.50 |
| Aggregate amount of personal use expenditure settled after the period (after five working days) | \$0 |
| Aggregate amount of personal use expenditure outstanding at the balance date | \$0 |

Table 25: Personal use of OAG credit card

Expenditure on advertising and surveys

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

The total expenditure for 2020-21 was \$102,174.

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

| Expenditure | Provider | 2019-20 Amount |
|-------------------------|----------------------------|------------------|
| Recruitment advertising | Initiative Media Australia | \$35,553 |
| | Thomson Reuters | \$523 |
| Surveys | Orima | \$66,098 |
| Total | | \$102,174 |

Table 26: Expenditure on advertising and surveys

Disability Access and Inclusion Plan

We are currently reviewing our Disability Access and Inclusion Plan (DAIP), which is due to expire in November 2021, to outline our commitment to ensuring that people with disability, their families and carers have ready access to our services, information and facilities and the same opportunities to obtain and maintain employment with us.

We regularly review our recruitment processes to address any barriers to access and inclusion in employment. We work with employees with existing or emerging disabilities and their health professionals to accommodate their disability and support their work and contribution to the OAG. We coach our supervisors and managers in the types of support required and the best delivery methods to benefit the individual employee as well as the team.

In our annual DAIP progress report to the Disability Services Commission, we reported on our strategies across the 7 outcomes, demonstrating our ongoing compliance with, and commitment to disability access and inclusion. We also present this information to employees and Executive.

Compliance with public sector standards and ethical codes

Our policies and procedures are designed to meet compliance requirements of public sector standards and the public sector Code of Ethics. Our Code of Conduct specifies the standards of employee behaviour considered directly relevant to our unique role and responsibilities. Additionally, our audit employees must adhere to the professional standards required of auditors.

We inform our employees of these standards and requirements at their OAG induction and publish all documents and updates on our intranet.

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

There were 0 breaches of standards lodged in the past year.

Recordkeeping plan

Our Recordkeeping Plan reflects our strong commitment to improving records management and provides an accurate reflection of our recordkeeping systems, disposal programs, policies and procedures. It focuses on ensuring all employees are aware of their compliance responsibilities and provided with training in these areas.

Our core recordkeeping system is Content Manager 9.3. We have completed an information classification project to integrate security, classification and role-based location structures. This has improved our information management model to better support our employees.

To complement our formal instructor led training, employees have access to interactive online multimedia training presentations, video demonstrations and quick reference guidebooks. We have also improved the process and security for receiving audit material and releasing audit opinions.

Government policy requirements

Occupational safety and health and injury management

| Measures | 2018-19 base year | 2019-20 prior year | 2020-21 current reporting year | Targets | Comments towards targets |
|--|-------------------------|--------------------------|---|--------------------------------------|--------------------------------|
| Number of fatalities | 0 | 0 | 0 | 0 | ✓ |
| Lost time injury and disease incidence rate | 1 | 0 | 0 | 0 or 10% reduction in incidence rate | ✓ |
| Lost time injury and severity rate | 1 | 0 | 0 | 0 or 10% reduction in severity rate | ✓ |
| Percentage of injured workers returned to work (i) within 13-weeks | 100% | na | na | Greater than or equal to 80% | ✓ |
| Percentage of injured workers returned to work (ii) within 26-weeks | na | na | na | Greater than or equal to 80% | ✓ |
| Percentage of managers trained in occupational safety, health and injury management responsibilities including refresher training within 3-years | 85% | 15% | 81% | Greater than or equal to 80% | ✓ |

Table 27: Our OSH performance in 2020-21 against targets

OSH strategic goals

We are committed to ensuring the health and wellbeing of our employees, visitors and contractors by providing a safe workplace, eliminating hazards and implementing initiatives to improve employee welfare. We assess ourselves annually against our OSH strategic goals.

| Outcome | Deliverable | Target | 2020-21 Results |
|---|---|--|--|
| Systems of work: The Office of the Auditor General will have systems, policies, procedures and practices that ensure the health and wellbeing of employees, visitors and contractors. | | | |
| 1. Effective OSH system | <ul style="list-style-type: none"> system records incidents and accidents and is fit for purpose | <ul style="list-style-type: none"> 100% incidents and accidents recorded for analysis 100% incidents and accidents addressed | <ul style="list-style-type: none"> ✓ 100% • 100% |
| 2. Appropriate policies, procedures and plans | <ul style="list-style-type: none"> review policies, procedures and plans | <ul style="list-style-type: none"> all reviewed biennially and at need | <ul style="list-style-type: none"> ✓ 100% |
| Consultation, communication and training: The Office of the Auditor General will involve employees in OSH to ensure mutual commitment and understanding of workplace health and wellbeing. | | | |
| 3. Engaged Office Consultative Committee (OCC) | <ul style="list-style-type: none"> regular meetings of representative members | <ul style="list-style-type: none"> quarterly scheduled and at need | <ul style="list-style-type: none"> ✓ regular meetings conducted |
| 4. Notifications through regular communication channels | <ul style="list-style-type: none"> Professional development sessions, intranet announcements | <ul style="list-style-type: none"> at least quarterly notices | <ul style="list-style-type: none"> ✓ announcements about safety threats or incidents, monthly health and wellness newsletter and mental health sessions |
| 5. Employee awareness and training | <ul style="list-style-type: none"> OSH Awareness training for employees OSH for Supervisors and Managers | <ul style="list-style-type: none"> 100% of employees trained appropriately for role(s) | <ul style="list-style-type: none"> ✗ 84% of all employees, which includes 81% of managers |
| 6. Ergonomic employee set-ups | <ul style="list-style-type: none"> better practice ergonomic practices | <ul style="list-style-type: none"> 100% new employee preventative assessments specialist assessments as required | <ul style="list-style-type: none"> ✓ 100% new employees completed ergo assessment • 9 assessments conducted as intensive one-off |
| 7. Visitor and contractor safety | <ul style="list-style-type: none"> OAG visitors and contractors supervised for OSH and managed for evacuations | <ul style="list-style-type: none"> 100% of OAG visitors and contractors supervised for OSH and managed for evacuations | <ul style="list-style-type: none"> ✓ 100% |
| Compliance: The Office of the Auditor General will ensure compliance with relevant legislation, regulations and standards. | | | |
| 8. Reporting compliance | <ul style="list-style-type: none"> reporting to Audit and Risk Management Committee (ARMC) reporting to Public Sector Commission and Public Sector Labour Relations | <ul style="list-style-type: none"> quarterly ARMC reports bi-annual and annual mandatory reporting | <ul style="list-style-type: none"> ✓ 100% |
| 9. Safe and hazard free workplace | <ul style="list-style-type: none"> workplace hazard inspections | <ul style="list-style-type: none"> annual inspections | <ul style="list-style-type: none"> ✓ daily ad hoc health and wellbeing inspections during COVID • full inspection not completed |
| 10. Appropriate resourcing | <ul style="list-style-type: none"> assessment and provision of resources | <ul style="list-style-type: none"> quarterly assessment of, and for, resourcing | <ul style="list-style-type: none"> ✓ 2 OSH representatives trained in 2021 |

Table 28: OSH strategic goals annual assessment

Committee remuneration

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

| Position | Name | Type of remuneration | 2020-21 Period of membership | Term of appointment | Base sitting fees | 2020-21 Gross/actual remuneration * |
|--------------------|--------------|----------------------|---------------------------------|---------------------|-------------------|--|
| Independent chair | Des Pearson | Hourly rate | 12 months | Sessional | \$400/hour | \$12,800 |
| Independent member | Peter Wilson | Hourly rate | 3 months | Sessional | \$350/hour | \$5,600 |
| Total | | | | | | \$18,400 |

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

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

WA Multicultural Policy Framework

We submitted our inaugural Multicultural Policy Framework to the Minister for Citizenship and Multicultural Affairs, the Hon Paul Papalia CSC MLA in January 2021. As a leader in employee cultural and linguistic diversity the framework outlines our commitment to the 3 multicultural policy priorities that support the principles and objectives of the Western Australian Charter of Multiculturalism:

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

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



Appendix 1: Our strategic plan

This is our final year reporting against our *Strategic Plan 2016-2020*. Next year we will report on our newly developed *Strategic Plan 2021-2025* (introduced on page 20 and throughout the annual report).

Our people

Motivated, innovative, collaborative, accountable, valued, skilled, knowledgeable

| Outcomes | Strategies |
|---|---|
| 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 and adaptive recruitment, contracting and employment arrangements to match work skills with demand |
| 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 employees to complete all of their responsibilities on an audit or business project Encourage innovation and acknowledge employees for being innovative in their approach |
| A work environment that is recognised as a workplace of choice | <ul style="list-style-type: none"> Assist employees 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 |

Our tools

Robust, efficient, user-friendly, flexible, agile, reliant, compliant

| Outcomes | Strategies |
|--|--|
| 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 |
| 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 |
| 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 |
| Audit methodology tools are current, reliable and compliant | <ul style="list-style-type: none"> Ensure our methodology remains current and compliant |

Our approach

Consistent, fair and balanced, independent, transparent, pragmatic, professional, contemporary

| Outcomes | Strategies |
|---|--|
| 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 |
| Relationships with audit clients professionally managed | <ul style="list-style-type: none"> Communicate, consult and develop quality relationships with clients |
| 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 employees the OAG principles of independence, integrity and impartiality Maintain an awareness of the external perception of the OAG |
| A well informed Parliament and public | <ul style="list-style-type: none"> Set clear expectations and communicate our role and purpose to Parliament, entities and the community Identify and implement strategies to address Parliament's needs and expectations Prepare for performance and legislative reviews |

Our products

Value for money, timely, relevant, accurate, quality, innovative

| Outcomes | Strategies |
|---|---|
| Timely, relevant and quality reports on public sector performance and accountability | <ul style="list-style-type: none"> Table reports on time and on budget |
| Value for money reporting that addresses 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 is selected to achieve value for money |
| Reports and opinions that lead to improved public sector performance and accountability | <ul style="list-style-type: none"> Include consideration of topics important to Parliament and entities when developing forward audit program Ensure clearly articulated and accessible report findings and recommendations |

Appendix 2: Financial audit clients 2020-2021

Audits under *Financial Management Act 2006*

Departments

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

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

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

Statutory authorities

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

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

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

Zoological Gardens Authority

Subsidiaries

Australian Pathways Education Group Pty 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 Retirement Services Ltd

Perth International Arts Festival Limited

The University Club of Western Australia Pty Ltd

UWA Accommodation Services Pty Ltd

UWA Sport Pty Ltd

Young Lives Matter Foundation UWA Ltd

Request audits

Alan and Iris Peacocke Research Foundation

Perth USAsia Centre Pty Ltd

Tertiary Institutions Service Centre Ltd

The Delegate to the Queen Elizabeth II Medical Centre Trust

Audits under other legislation

Cemeteries Act 1986

Albany Cemetery Board

Bunbury Cemetery Board

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

Synergy – Electricity Generation and Retail Corporation

Water Corporation

Western Australian Land Authority

Western Power – Electricity Networks Corporation

Subsidiaries

South West Solar Development Holdings Pty Ltd

Synergy Renewable Energy Development Pty Ltd

Vinalco Energy Pty Ltd

Vinalco Energy Trust

Local government audits by transition year

2017-18

City of Belmont

Shire of Brookton

Shire of Bruce Rock

City of Bunbury

Bunbury-Harvey Regional Council

Town of Cambridge

Shire of Capel

City of Cockburn

Town of Cottesloe

Shire of Cranbrook

Shire of Cue

Shire of Cunderdin

Shire of Dandaragan

Shire of Denmark

Eastern Metropolitan Regional Council

Shire of Exmouth

Shire of Jerramungup

City of Joondalup

City of Kalgoorlie-Boulder

Shire of Kellerberrin

Shire of Kondinin

Shire of Koorda

Shire of Laverton

Shire of Menzies

Shire of Moora

Shire of Morawa

Shire of Narrogin

Shire of Northampton

Shire of Nungarin

Shire of Perenjori

City of Perth
Pilbara Regional Council
Shire of Ravensthorpe
Rivers Regional Council
City of Rockingham
Shire of Sandstone
City of South Perth
City of Stirling
Shire of Tammin
Shire of Three Springs
City of Wanneroo
Shire of West Arthur
Shire of Woodanilling
Shire of Wyalkatchem
Shire of Yalgoo
Shire of York

2018-19

City of Albany
Shire of Ashburton
Town of Bassendean
City of Bayswater
Shire of Boddington
Shire of Boyup Brook
Shire of Bridgetown-
Greenbushes

Shire of Broome
City of Busselton
City of Canning
Shire of Carnamah
Shire of Christmas Island
Town of Claremont
Shire of Cocos (Keeling) Islands
Shire of Coorow
Shire of Corrigin
Shire of Cuballing
Shire of Dalwallinu
Shire of Derby-West Kimberley
Shire of Donnybrook-Balingup
Shire of Dowerin
Shire of Dundas
Town of East Fremantle
City of Fremantle
Shire of Gnowangerup
Shire of Goomalling
City of Gosnells
City of Greater Geraldton
Shire of Halls Creek
Shire of Irwin
City of Kalamunda
City of Karratha

Shire of Katanning
Shire of Kojonup
Shire of Kulin
City of Kwinana
Shire of Lake Grace
Shire of Meekatharra
City of Melville
Shire of Merredin
Shire of Mingenew
Town of Mosman Park
Shire of Mount Magnet
Shire of Mukinbudin
Shire of Mundaring
Shire of Murchison
Murchison Regional Vermin
Council
Shire of Nannup
City of Nedlands
Shire of Northam
Shire of Northampton
Shire of Nungarin
Shire of Peppermint Grove
Shire of Pingelly
Shire of Serpentine-Jarrahdale
South Metropolitan Regional
Council

City of Subiaco
City of Swan
Shire of Upper Gascoyne
Town of Victoria Park
Shire of Victoria Plains
City of Vincent
Shire of Wagin
Western Metropolitan Regional
Council
Shire of Westonia
Shire of Wickopin
Shire of Williams
Shire of Wiluna

2019-20

City of Armadale
Shire of Augusta-Margaret River
Shire of Beverley
Shire of Broomehill-Tambellup
Shire of Carnarvon
Shire of Chapman Valley
Shire of Chittering
Shire of Coolgardie
Shire of Dardanup
Shire of Dumbleyung
Shire of Harvey

Shire of Leonora
Shire of Manjimup
Mindarie Regional Council
Shire of Mount Marshall
Shire of Murray
Shire of Narembeen
Town of Port Hedland
Shire of Shark Bay
Shire of Trayning

Shire of Toodyay
Shire of Wandering
Shire of Waroona
Shire of Wongan-Ballidu
Shire of Wyndham-East
Kimberley
Shire of Yilgarn

2020-21

Shire of Collie
Shire of East Pilbara
Shire of Esperance
Shire of Gingin
Shire of Kent
City of Mandurah
Shire of Ngaanyatjaraku
Shire of Plantagenet
Shire of Quairading
Tamala Park Regional Council

Appendix 3: Acronyms

| | | | |
|------------------|--|---------------|--|
| AAS | Australian Accounting Standards | JAC | Joint Audit Committee |
| ACAG | Australasian Council of Auditors-General | KPI | key performance indicator |
| AQMC | Audit Quality Monitoring Committee | LG | local government |
| ARMC | Audit and Risk Management Committee | MOU | memorandum of understanding |
| CAANZ | Chartered Accountants Australia and New Zealand | NAIDOC | National Aborigines and Islanders Day Observance Committee |
| DAIP | disability access and inclusion plan | OAG | Office of the Auditor General |
| DoF | Department of Finance | OSH | occupational safety and health |
| EFOC | Standing Committee on Estimates and Financial Operations | PAC | Public Accounts Committee |
| Executive | Executive Management Group | PID | public interest disclosure |
| FTE | full time equivalent employee | TAFE | technical and further education |
| GCC | general computer control | TI | Treasurer's instruction |
| GESB | Government Employees Superannuation Board | WA | Western Australia |
| GSS | Gold State Superannuation Scheme | WSS | West State Superannuation Scheme |
| GST | Goods and Services Tax | | |
| IS | information systems | | |
| IT | information technology | | |

Appendix 4: Glossary

Accountability is traditionally established when Parliament confers responsibility on public sector entities 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.

Annual Report on State Finances is a report prepared in accordance with the *Government Financial Responsibility Act 2000* that provides the State's whole-of-government 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 a State or local government entity. For State government 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.

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 and, if necessary, the key performance indicators are relevant and appropriate and fairly represent indicated performance, or controls are adequate.

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 entity 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.

Focus area audit are audits which assess how well public sector entities perform common business practices and related controls. They are carried out as an extension of our annual financial audits.

A **follow-up audit** reviews the extent to which recommendations from a 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.

A **local government entity (LG entity)** is one of the 139 local governments or 9 regional councils in Western Australia.

Management letter is a letter to senior management of an entity that conveys the audit findings and results of an audit.

It may include recommendations for improvements in controls and other matters.

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 entities.

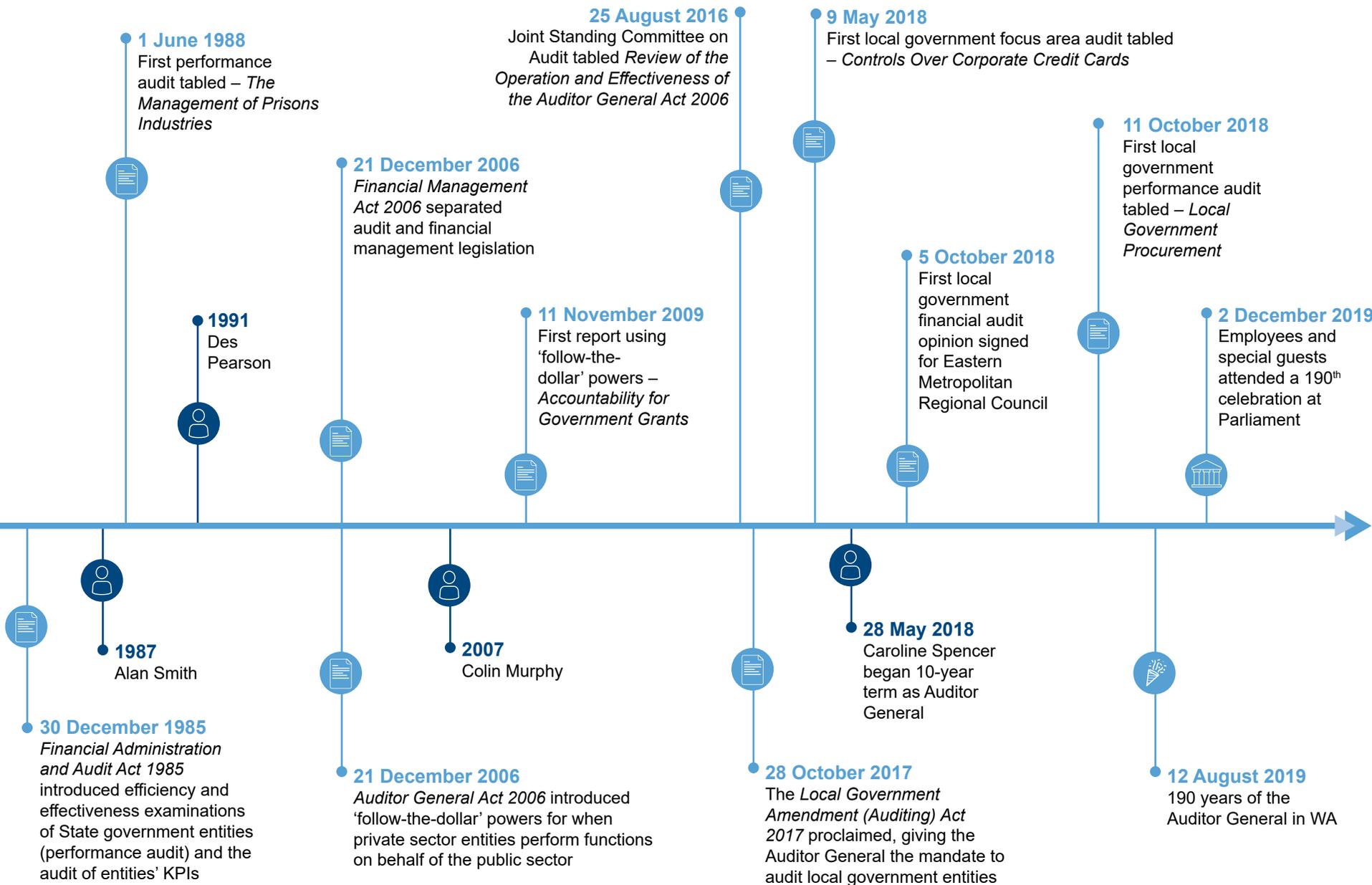
Public sector entities is the collective term for all Western Australian State and local government entities.

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

A **State government entity** is a Western Australian government department or agency, parliamentary department, statutory authority, university or State training provider, superannuation fund, corporatised entity, cemetery board or subsidiary entity.

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

Treasurer's instruction (TIs) 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 State government entities under the *Financial Management Act 2006*.





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