



APPENDICES

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 13th March 2024
Commencing at 2.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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RISK ASSESSMENT TOOL**OVERALL RISK EVENT:** Western Australian Auditor General – Schedule of Reports**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not considering the risks, controls and recommendations arising from the Auditor General's report could have an impact on Council not meeting its compliance requirements.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Unlikely (2)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.



Report 9: 2023-24 | 6 December 2023

INFORMATION SYSTEMS APPLICATION AUDIT

Implementation of the Essential Eight Cyber Security Controls



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We can deliver this report in an alternative format for those with visual impairment.

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ISSN: 2200-1913 (print)
ISSN: 2200-1921 (online)

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Implementation of the Essential Eight
Cyber Security Controls**

Report 9: 2023-24
6 December 2023

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

IMPLEMENTATION OF THE ESSENTIAL EIGHT CYBER SECURITY CONTROLS

This report has been prepared for submission to Parliament under the provisions of sections 24 and 25 of the *Auditor General Act 2006*.

Information systems audits focus on the computer environments of entities to determine if these effectively support the confidentiality, integrity and availability of information they hold.

This audit assessed the progress made by 10 State government entities to implement the Australian Signals Directorate's Essential Eight controls as required by the *WA Government Cyber Security Policy*. We assessed entities' control maturity and compared this with the self-assessments they provided to the Office of Digital Government in December 2022.

I wish to acknowledge the entities' staff for their cooperation with this audit.

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

CAROLINE SPENCER
AUDITOR GENERAL
6 December 2023

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Auditor General's overview

Recent cyber attacks have highlighted the need for cyber security to be a key strategic priority across the public and private sectors. As State government entities deliver important services to the public through internet-facing systems, they can be subject to attacks. Further, a secure digital environment is vital to Australia's national interest, social confidence and cohesion and economic prosperity.



In response to concerns raised by this Office over some years, the State Government formed the Office of the Government Chief Information Officer in 2015, now the Office of Digital Government (DGov), to lead and support digital transformation of State entities and build their cyber security capabilities. DGov has played a crucial role in raising the sector's awareness of contemporary IT and cyber security practices. One of its key initiatives requires entities to implement the Australian Signals Directorate's Essential Eight controls and report their maturity levels through annual self-assessments.

This audit examined the progress made by 10 State entities to implement Essential Eight controls and the accuracy of their self-assessments reported to DGov. It provides useful insights on the quality of information reported to DGov, who is already analysing and actioning the report findings.

While all the audited entities have started their Essential Eight journey, considerable work is needed to fully implement these essential controls. In most instances, we found controls were only partially implemented or not working as expected, leaving entities vulnerable.

We also found most entities were overly optimistic in completing their Essential Eight maturity self-assessments. This presented an inaccurate and overconfident picture of their own readiness, and also the sector's maturity in cyber security. Entities need to have an accurate understanding of their maturity to prioritise and address weaknesses, and correctly inform the government's perception of the State's cyber risk exposure. It is not uncommon, however, for entities to be overconfident when self-assessing, a trend noted by other jurisdictions in Australia.¹

Indeed, given that, I decided to subject my own Office's DGov reporting to the same audit scrutiny. While my Office's self-assessments were more accurate than the sector average, we did identify some room for improvement, which we have addressed.

I am pleased that the government is increasingly focused on cyber security and is continuing to build the skill base and digital resilience across the public sector. I also acknowledge the Australian Cyber Security Centre, which provides cyber security guidance, tools and assessment materials to implement and assess Essential Eight controls.

I encourage chief executives, chief information officers, audit committees and boards to maintain focus on building cyber resilience, and use insights from this report to probe and monitor their maturity in this area.

¹ Parliament of Australia, [Report 497 Inquiry into Commonwealth Financial Statements 2021-22](#), APH website, 2023, accessed 22 November 2023, p. 30. and Audit Office of New South Wales, [Cyber Security NSW: governance, roles, and responsibilities](#), NSW Audit Office website, 2023, accessed 2 October 2023, p. 25.

Executive summary

Introduction

This audit assessed the progress made by 10 State government entities to implement the Australian Signals Directorate's (ASD) Essential Eight² controls as required by the *WA Government Cyber Security Policy*.³ We assessed entities' control maturity and compared this with the self-assessments they provided to the Office of Digital Government (DGov) in December 2022.

The 10 audited entities provide a range of essential services to the Western Australian public and hold large amounts of sensitive and personal data. We have not named the audited entities so as not to expose those with weaknesses to malicious threat actors. During the audit we informed DGov of our emerging findings so it could incorporate learnings into its approach to entities' 2023 self-assessments.

Background

State government entities provide unique and essential services to the public that increasingly rely on a range of information and operational technology systems for their delivery. Securing these systems is important to protect the social and economic wellbeing of the people of this state and Australia's national security interests.

Malicious cyber activity is a growing issue around the world. In 2022-23, approximately 94,000 cybercrime reports were made to law enforcement and the ASD's Australian Cyber Security Centre (ACSC⁴) responded to over 1,100 incidents, 43% of which were from Australian public sector entities.⁵ We also regularly report cyber security and system control weaknesses in our annual information systems reports, particularly in the management of vulnerabilities and access, endpoint protection, network security, and a lack of adequate backup processes.

To help protect entities from malicious cyber activity, the ASD has developed a set of 37 mitigation strategies⁶ (controls), prioritised by their security effectiveness (Figure 1). The eight most effective controls are known as the Essential Eight. As the Essential Eight will not mitigate against all cyber threats, the ASD also recommends additional controls.



Source: OAG based on ACSC information

Figure 1: Cyber threat mitigation controls

² Australian Government, [Essential Eight](#), ASD website, 2023, accessed 20 September 2023.

³ Department of the Premier and Cabinet, [WA Government Cyber Security Policy](#), DPC website, 2021, accessed 3 October 2023.

⁴ The ACSC is an Australian Government department, part of ASD, provides cyber security advice and support on cyber security.

⁵ Australian Government, [ASD Cyber Threat Report 2022-2023](#), ASD website, 14 November 2023, accessed 15 November 2023.

⁶ Australian Government, [Strategies to Mitigate Cyber Security Incidents](#), ASD website, 1 February 2017, accessed 20 September 2023.

Figure 2 shows the Essential Eight controls which provide entities with a security baseline to mitigate and protect against the majority of cyber security threats.



Source: OAG based on ACSC information

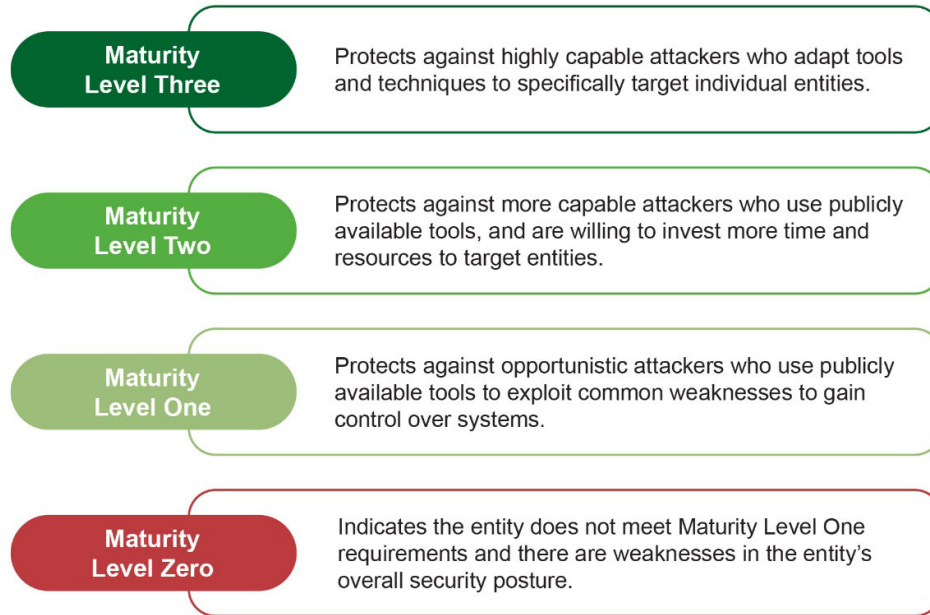
Figure 2: ACSC Essential Eight controls

The ACSC has defined four Essential Eight maturity levels that represent progressive control implementation and increasing effectiveness (Figure 3). Each maturity level has unique requirements that build on those of the previous level. We assessed entities against the maturity model used by entities to report self-assessments to the DGov in December 2022 (Appendix 1).

The ACSC has recently updated⁷ its Essential Eight maturity model to protect entities from modern threats. It also provides free tools and guidance to help entities implement and assess their control maturity.⁸

⁷ Australian Government, [Essential Eight Maturity Model Changes](#), ASD website, 27 November 2023, accessed 28 November 2023.

⁸ Australian Government, [Australian Signals Directorate's Cyber Security Partnership Program](#), ASD website, n.d., accessed 2 October 2023.



Source: OAG based on ACSC information

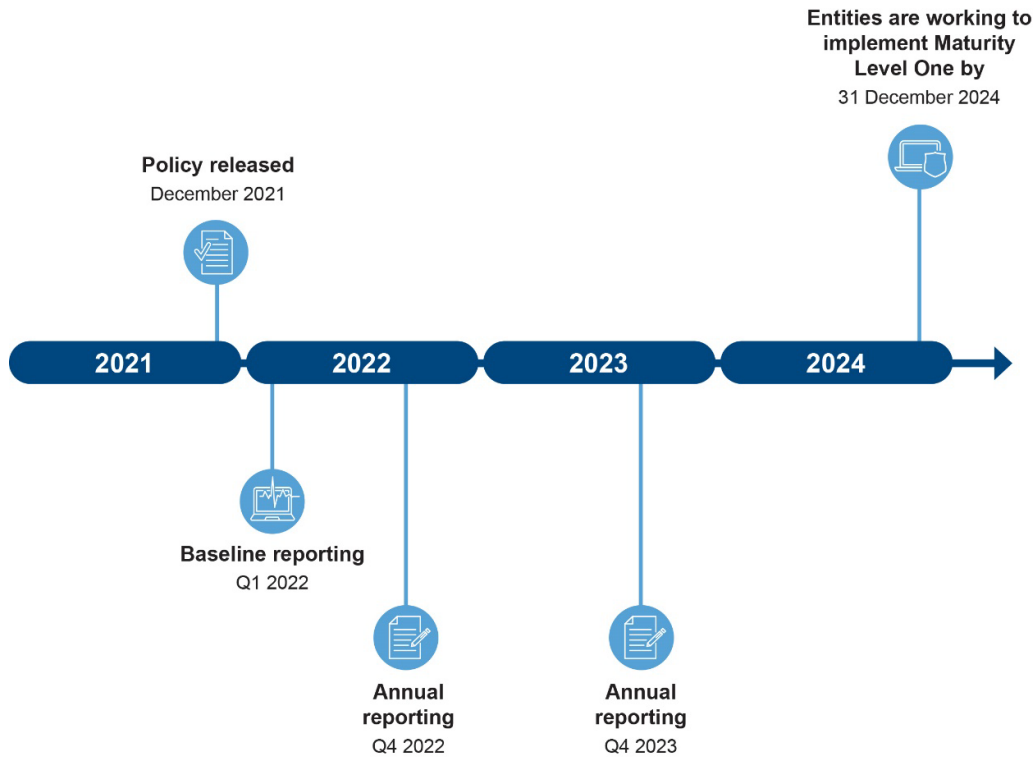
Figure 3: Essential Eight maturity levels

DGov has an important central role to lead, support and coordinate the digital transformation of State entities and build their cyber security capabilities. It also administers the WA Government's Digital Capability Fund aimed at driving strategic and targeted investment in digital transformation and assist entities to upgrade their legacy systems.

In December 2021, DGov released the *WA Government Cyber Security Policy* to improve the security posture of State entities. The policy requires State entities to implement the Essential Eight controls at least to a Maturity Level One. Entities are working towards implementing these controls by December 2024.

DGov requires entities to complete an annual implementation report which includes a self-assessment spreadsheet on their progress and maturity in implementing the Essential Eight controls. These self-assessments are then compiled by DGov into a whole-of-government cyber security progress report for their Minister. DGov does not verify the entity self-assessments when compiling the report.

Entities provided a baseline self-assessment report to DGov in March 2022 and their first annual implementation report in the fourth quarter of 2022 (Figure 4). The next round of annual reporting is due to DGov on 15 December 2023, which includes requirements from an updated version of the ACSC Essential Eight maturity model.



Source: OAG based on DGov information

Figure 4: Essential Eight implementation and reporting timeline

Conclusion

Mandatory implementation of the Essential Eight controls is an important WA State Government cyber security policy initiative to improve the sector's cyber capability and resilience. Through monitoring how entities are progressing with implementation, DGov continues to raise entities' awareness of the importance of controls to mitigate and protect against cyber security threats.

While the 10 entities we audited had started to implement the Essential Eight controls, more work is needed if entities are to achieve the *WA Government Cyber Security Policy* objectives. Five entities had not achieved Maturity Level One or higher in any control, and no entity had achieved Maturity Level One or higher in all controls. Weaknesses in an entity's cyber security leave it exposed to the threat of data breaches, unauthorised access and disruption to their systems and services. However, upgrading or replacing large legacy systems takes time and often requires significant planning and resources.

Most entities did not have an accurate understanding of their maturity against the Essential Eight controls. Our comparison of entities' Essential Eight maturity self-assessment to our assessments found seven entities overstated their maturity in one or more controls. This meant information reported by DGov to Government presented an inaccurate and potentially overconfident picture of the sector's cyber security readiness. Entities need to have an accurate understanding of their cyber security to appropriately prioritise and address weaknesses and mitigate risks.

DGov is aware of issues impacting the accuracy of entity self-assessments. It has already commenced a review of its guidance and tools to assist entities to more accurately assess their maturity. We note that existing ACSC guidance, tools and assessment materials can be directly accessed by entities to help them understand their security posture and accurately report to DGov.

Findings

Entities have started to implement controls but more work is needed

None of the 10 audited entities had reached Maturity Level One or higher in all controls. Work is needed to achieve Maturity Level One and effectively protect entities from opportunistic threats.

Concerningly, we also found that five entities had not achieved Maturity Level One or higher in any controls, and none of the entities achieved Maturity Level One in patch applications, restrict administrative privileges and multi-factor authentication (Figure 5). Entities have either not implemented controls, or the controls they have implemented are not effectively designed or configured.

Figure 5 summarises the findings of our Essential Eight assessments at the 10 entities. We also provide a comparison of entities' self-assessments to our assessments in each control in Figure 6.

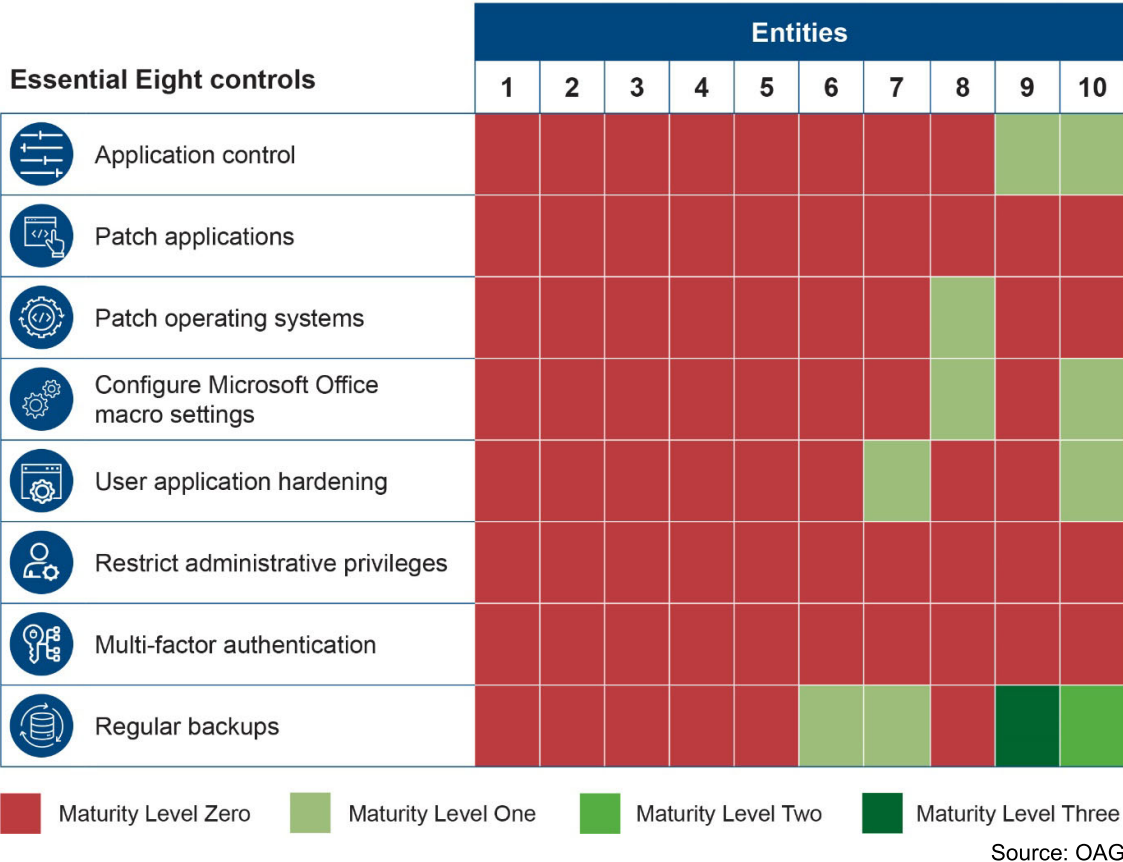


Figure 5: Our assessment of Essential Eight controls maturity at 10 entities

Examples are provided below to show why entities failed to meet Maturity Level One in each of the Essential Eight controls.

Application control



Application control prevents the execution of malicious programs and scripts that attackers use to breach computer networks.

Two of the 10 entities had achieved Maturity Level One, the remaining eight entities were at Maturity Level Zero. At these eight entities we were able to run various unapproved executables⁹ and scripts¹⁰ from standard user profiles and temporary folders.

Patch applications



Patch applications is the continual process of identifying application vulnerabilities and applying software updates to prevent an attacker from compromising key systems and networks using known security vulnerabilities.

None of the 10 entities had achieved Maturity Level One. Our testing showed most entities were using unsupported applications and had vulnerabilities dating back several years. Four entities also had unsupported internet-facing applications, which further increase their exposure.

While all entities were using a vulnerability scanner, not all were scanning frequently enough (daily for internet-facing services and fortnightly for office productivity suites etc.).

Threat actors can quickly exploit newly identified vulnerabilities to gain control of networks and systems. It is imperative that entities identify and mitigate these vulnerabilities quickly.

Patch operating systems



Patch operating systems is the process of keeping workstations, servers and network devices up-to-date with software to maintain security and prevent attackers from using known security vulnerabilities to compromise systems.

One entity had achieved Maturity Level One in this control. We found common weaknesses at the remaining entities, including:

- vulnerability scans were not run frequently enough (daily for internet-facing services and fortnightly for other workstations, servers and network devices in line with Maturity Level One requirements)
- use of unsupported and legacy operating systems which are generally costly to maintain and can lead to operational disruptions.

⁹ Executable is any file or program that can run on a computer.

¹⁰ Script is a set of instructions to achieve a task by controlling various computer programs.

Configure Microsoft Office macro settings



Macros are pieces of code used by applications to automate tasks.

Attackers can use macros to introduce malicious code and gain unauthorised network and system access.

Two of the 10 entities had achieved Maturity Level One in this control. We found common weaknesses at the remaining entities, including:

- enabled macros without a demonstrated business requirement or entities had not identified users with a business need to use macros
- macros originating from the internet were not effectively blocked
- users could bypass macro controls configured by the entity as they were not prevented from changing security settings.

User application hardening



User application hardening reduces the 'attack surface' threat actors can use to deploy malicious software onto systems (e.g. workstations).

Application hardening limits the opportunities for attacks to occur by removing unnecessary system applications and placing restrictions on application functions that are vulnerable to malicious use.

Two entities achieved Maturity Level One in this control. We found common weaknesses at the remaining entities, including:

- web browsers were not prevented from processing java or advertisements from the internet
- continued use of obsolete Internet Explorer¹¹ (IE11) to load websites and content from the internet.

In addition, while some entities effectively secured the Microsoft Edge browser in line with Maturity Level One, they allowed uncontrolled use of other browsers such as Google Chrome and Mozilla Firefox. If web browser settings are not secured, users can change configurations to bypass security policies which can result in system compromise.

Restrict administrative privileges



Users with administrative privileges can make significant changes to systems and applications, bypass security settings and access, modify or delete information.

Restricting administrative privileges introduces guard rails to prevent accidental or malicious access or changes to systems, system settings and information.

¹¹ Internet Explorer 11 was the final version of browser retired in June 2022.

None of the 10 entities adequately restricted administrative privileges to achieve Maturity Level One. We found common weaknesses, including:

- Privileged administrator accounts were not prevented from accessing the internet, email and web services. To minimise the risk of privileged account takeover, these accounts should not have access to internet-facing services.
- A lack of separate privileged and non-privileged operating environments for administrators.¹²

Multi-factor authentication



Multi-factor authentication (MFA) makes it harder for threat actors to compromise accounts. It requires users to verify their identity by using two or more different factors including:

- something a user knows (such as a PIN or password)
- something a user has (such as a token or an authenticator)
- something a user is (such as a fingerprint or other biometric method).

None of the entities achieved Maturity Level One in this control. While a number of entities had MFA for some systems, they were still in the process of enabling MFA for their remaining systems and all staff. Entities were also in the process of implementing MFA for their internet facing services accessed by non-organisational users (i.e. members of the public).

Regular backups



Regular backups allow for the timely and efficient recovery of system configurations and information in line with business expectations after a disruption.

Backups require systematic testing to ensure they are reliable and must be stored securely to prevent unauthorised changes.

Entities performed better in this control compared to the other controls. Four entities achieved Maturity Level One or higher:

- two entities achieved Maturity Level One
- one entity achieved Maturity Level Two
- one entity achieved Maturity Level Three.

The most common weakness we found was entities not testing the restoration of their backups as part of coordinated disaster recovery exercises. In some instances, backups of important data, software and configuration settings were not in accordance with entities' own business continuity requirements.

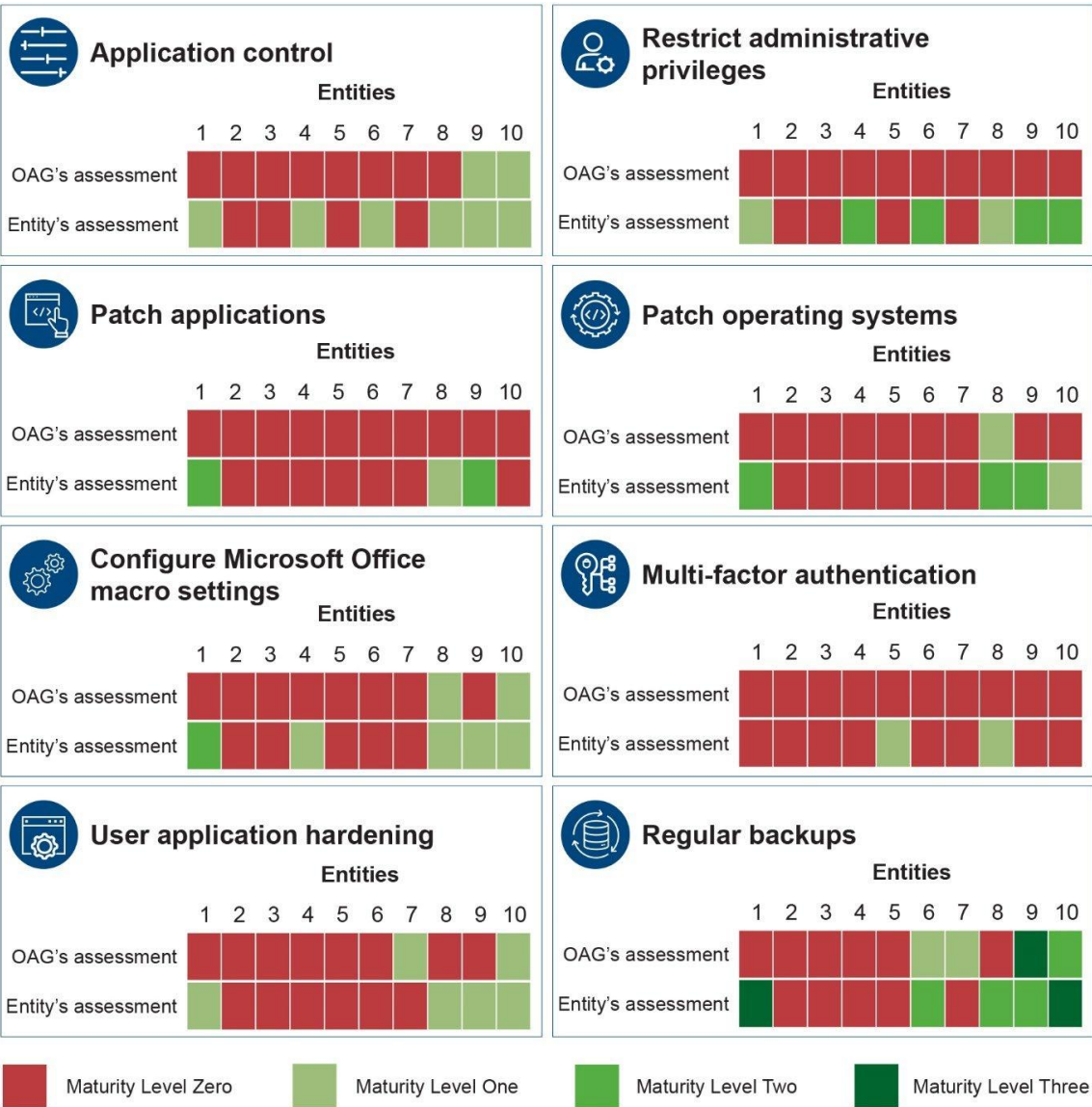
¹² While challenging to implement, separate physical workstations for privileged tasks provide increased security.

Most entities did not have an accurate understanding of their Essential Eight controls maturity

Essential Eight controls at seven entities were not as mature as they had self-assessed and reported to the DGov (Figure 6). If entities do not have a clear understanding of their control maturity they may remain unnecessarily vulnerable to cyber security threats.

Our comparison of entities' self-assessment to our assessments found not all entities had an accurate understanding of their control design or adequately test the effectiveness of controls implementation before completing their self-assessments. This led to incorrect reporting of their maturity levels.

We found three entities accurately assessed their control maturity, one of these has since improved its maturity in two controls. Entities self-assessments were reasonably accurate where they used DGov's preferred third party to confirm their 2022 annual self-assessments prior to submission.



Source: OAG based on entity information

Figure 6: Comparison of entities' self-assessments to our assessments in each control

It is important that entities' self-assessments accurately inform government of the State's cyber risk exposure. The self-assessments are used by DGov to inform sector wide governance and collaboration efforts, such as the Cyber Security Working Group, and to benchmark the sector against other Australian jurisdictions that have adopted the Essential Eight.

The following case studies provide examples of self-assessment questions and entity responses that overstated maturity levels in reporting to DGov.

Case study 1: Entity overstated its maturity for application control



The self-assessment question asked:

Q: Is execution of executables, software libraries, scripts, installers, compiled HTML, HTML applications and control panel applets prevented from within the standard user profiles and temporary folders used by operating system, web browsers and email clients?

The entity self-assessed as having implemented the control at Maturity Level One. The entity's response stated:

A: Workstation and servers.

OAG assessment: We found the entity had only partially implemented the control and did not meet Maturity Level One. While some executables were prevented and controlled, we could run various scripts from user profiles and temporary folders.

Case study 2: Entity overstated its maturity for patch applications



The self-assessment question asked:

Q: How soon are patches, updates or vendor mitigations for security vulnerabilities in other applications (such as Java, SQL, .NET, 7Zip) applied?

The entity self-assessed as having implemented the control at Maturity Level Two. The entity's response stated:

A: Within two weeks.

OAG assessment: Maturity Level One requires mitigation of vulnerabilities on internet facing servers within two weeks, or within 48 hours if an exploit exists. Our assessment found this entity's patching cycle was less frequent (i.e. monthly), and it did not patch vulnerabilities within two weeks. We also identified many unpatched application vulnerabilities on its internet facing servers, some had known exploits for which mitigations had been released five years before.

Case study 3: Entity overstated its maturity for configured Microsoft Office macro settings



The self-assessment question asked:

Q: Are Microsoft Office macros disabled for users that do not have a demonstrated business requirement?

The entity's response stated:

A: Yes.

The self-assessment question also asked:

Q: Are Microsoft Office macros in files originating from the internet blocked?

The entity's response stated:

A: Yes.

OAG assessment: The entity self-assessed as having implemented the control at Maturity Level Two. We found the entity was at Maturity Level Zero as all users could execute macros including those originating from the internet.

The following case study provides an example of one entity that had improved its maturity since reporting to DGov.

Case study 4: Entity had improved its maturity for regular backups since completing its self-assessment



The self-assessment question asked:

Q: Is the restoration of systems, software and important data from backups tested in a coordinated manner as a part of the disaster recovery exercise?

The entity self-assessed as having implemented the control at Maturity Level Zero. The entity's response stated:

A: No, the disaster recovery exercise does not include backup recovery.

OAG assessment: We found the entity had improved its practices as disaster recovery plans and exercises now include recovery testing. The entity met Maturity Level One for regular backups.

Recommendations

1. The Office of Digital Government should continue to support entities implementing Essential Eight controls through reviewing its tools and guidance, and increasing entities' awareness of ACSC maturity levels criteria and assessments tools.
2. Entities should:
 - a. continue to implement the Essential Eight controls to meet the WA Government objective of achieving Maturity Level One
 - b. test control effectiveness prior to completing self-assessments for DGov
 - c. engage and collaborate with the ACSC through its partnership program.

Response from entities

All entities agreed with our assessments of their Essential Eight maturity and advised us they intend to implement Essential Eight controls to at least Maturity Level One.

Response from Office of Digital Government

The Office of Digital Government (DGOV) has been working closely with WA Government entities to improve their overall cyber security posture. One of the priority areas for DGOV has been to assist agencies implement the Australian Cyber Security Centre's (ACSC) Essential Eight Controls to Maturity Level One.

Since reporting began in 2022, agencies have made substantial progress to understand their cyber security posture and commenced planning and implementing cyber security controls. It is important to highlight that implementing the ACSC's Essential Eight provides baseline protection against currently observed common cyber security threats, however, this should not be used in isolation from broader cyber risk management activities. DGOV's focus has been on strengthening cyber security maturity across the WA Government to ensure that it is much harder for adversaries to compromise systems.

DGOV are aware of the issues impacting the robustness of self-assessments. We also note that this has been a persistent challenge in other Australian jurisdictions, who also rely on self-assessment reporting. A relevant example is to be found in the observations made in relation to Commonwealth Government entities in [Report 497 Inquiry into Commonwealth Financial Statements 2021-22](#) presented to the Australian Parliament's Joint Committee of Public Accounts and Audit.

In response to emerging issues regarding the robustness of entity self-assessments, DGOV has already implemented a four-point plan to improve the accuracy of those assessments comprised of:

- **TAFE Cyber Training** - since September 2023, 70 public sector staff from 49 WA government entities have attended the TAFEcyber Essential Eight assessor course. The course is designed to improve agencies' assessment skills and understanding of the Essential Eight controls. DGOV supported this training by providing \$80,000 to fund agency attendees on the courses.
- **Verification Tool Review** - DGOV has assessed multiple cyber security tools to assist agencies with their assessments of Essential Eight controls and provided guidance on best practice methods to apply the tool within their respective environments. A Vulnerability Scanning Service has been established to assist agencies map their Essential Eight compliance.
- **Reporting and Guidance Review** - following the 2022 Annual Implementation Report (AIR), DGOV has incorporated further guidance within the current 2023 AIR Assessment templates to enable agencies to better assess the effectiveness of controls in their environment.
- **Independent Essential Eight Verification Assessments** - DGOV has engaged an external supplier to provide agencies with the opportunity to undertake an independent assessment of their AIR to provide additional assurance to agencies.

DGOV will continue to conduct a review after each AIR period to determine what further measures can be taken to improve the AIR process.

Audit focus and scope

The audit objective was to assess the progress made by a selection of 10 State government entities to implement the Australian Signals Directorate's Essential Eight controls to determine their current maturity level.

In undertaking the audit we:

- engaged closely with audited entities and reviewed their policies and procedures
- reviewed DGov and ACSC guidance and tools
- assessed entities' security controls and maturity using the ACSC Essential Eight Assessment Guide and tools, and provided them with our assessment. This included running executables, attempting to change security configurations, accessing sites with web advertisements and accessing websites through Internet Explorer 11
- compared each entities' 2022 self-assessment provided to the DGov against our own assessment of their maturity.

This was an independent audit conducted under the *Auditor General Act 2006* and arising from our information systems functions. We complied with the independence and other ethical requirements related to assurance engagements. The approximate cost of undertaking the audit and reporting was \$165,000.

Appendix 1: Essential Eight maturity level requirements for November 2022 self-assessments



Application control

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
The execution of executables, software libraries, scripts, installers, compiled HTML, HTML applications and control panel applets is prevented on workstations from within standard user profiles and temporary folders used by the operating system, web browsers and email clients.	Application control is implemented on workstations and internet-facing servers to restrict the execution of executables, software libraries, scripts, installers, compiled HTML, HTML applications and control panel applets to an organisation-approved set.	Application control is implemented on workstations and servers to restrict the execution of executables, software libraries, scripts, installers, compiled HTML, HTML applications, control panel applets and drivers to an organisation-approved set.
	Allowed and blocked executions on workstations and internet-facing servers are logged.	Allowed and blocked executions on workstations and servers are centrally logged and protected from unauthorised modification and deletion, monitored for signs of compromise, and actioned when cyber security events are detected.
		<p>Microsoft’s ‘recommended block rules’ are implemented.</p> <p>Microsoft’s ‘recommended driver block rules’ are implemented.</p> <p>Application control rulesets are validated on an annual or more frequent basis.</p>

Source: OAG based on ACSC information



Patch applications

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
Patches, updates or vendor mitigations for security vulnerabilities in internet-facing services are applied within two weeks of release, or within 48 hours if an exploit exists.	Same as Maturity Level One.	Same as Maturity Level One.
Patches, updates or vendor mitigations for security vulnerabilities in office productivity suites, web browsers and their extensions, email clients, PDF software, and security products are applied within one month of release.	Patches, updates or vendor mitigations for security vulnerabilities in office productivity suites, web browsers and their extensions, email clients, PDF software, and security products are applied within two weeks of release.	Patches, updates or vendor mitigations for security vulnerabilities in office productivity suites, web browsers and their extensions, email clients, PDF software, and security products are applied within two weeks of release, or within 48 hours if an exploit exists .
A vulnerability scanner is used at least daily to identify missing patches or updates for security vulnerabilities in internet-facing services.	Same as Maturity Level One.	Same as Maturity Level One.
A vulnerability scanner is used at least fortnightly to identify missing patches or updates for security vulnerabilities in office productivity suites, web browsers and their extensions, email clients, PDF software, and security products.	A vulnerability scanner is used at least weekly to identify missing patches or updates for security vulnerabilities in office productivity suites, web browsers and their extensions, email clients, PDF software, and security products.	Same as Maturity Level Two.
Internet-facing services, office productivity suites, web browsers and their extensions, email clients, PDF software, Adobe Flash Player, and security products that are no longer supported by vendors are removed.	Same as Maturity Level One.	Applications that are no longer supported by vendors are removed.
	Patches, updates or vendor mitigations for security vulnerabilities in other applications are applied within one month.	Same as Maturity Level Two.
	A vulnerability scanner is used at least fortnightly to identify missing patches or updates for security vulnerabilities in other applications.	Same as Maturity Level Two.

Source: OAG based on ACSC information



Patch operating systems

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
Patches, updates or vendor mitigations for security vulnerabilities in operating systems of internet-facing services are applied within two weeks of release, or within 48 hours if an exploit exists.	Same as Maturity Level One.	Same as Maturity Level One.
Patches, updates or vendor mitigations for security vulnerabilities in operating systems of workstations, servers and network devices are applied within one month of release.	Patches, updates or vendor mitigations for security vulnerabilities in operating systems of workstations, servers and network devices are applied within two weeks of release.	Patches, updates or vendor mitigations for security vulnerabilities in operating systems of workstations, servers and network devices are applied within two weeks of release, or within 48 hours if an exploit exists.
A vulnerability scanner is used at least daily to identify missing patches for security vulnerabilities in operating systems of internet-facing services.	Same as Maturity Level One.	Same as Maturity Level One.
A vulnerability scanner is used at least fortnightly to identify missing patches for vulnerabilities in operating systems of workstations, servers and network devices.	A vulnerability scanner is used at least weekly to identify missing patches for security vulnerabilities in operating systems of workstations, servers and network devices.	Same as Maturity Level Two.
Operating systems that are no longer supported by vendors are replaced.	Same as Maturity Level One.	Same as Maturity Level One.
		The latest release, or the previous release, of operating systems are used for workstations, servers and network devices.

Source: OAG based on ACSC information



Configure Microsoft Office macro settings

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
Microsoft Office macros are disabled for users that do not have a demonstrated business requirement.	Same as Maturity Level One.	Same as Maturity Level One.
Microsoft Office macros in files originating from the internet are blocked.	Same as Maturity Level One.	Same as Maturity Level One.
Microsoft Office macro antivirus scanning is enabled.	Same as Maturity Level One.	Same as Maturity Level One.
Microsoft Office macro security settings cannot be changed by users.	Same as Maturity Level One.	Same as Maturity Level One.
	Microsoft Office macros are blocked from making Win32 API calls.	Same as Maturity Level Two.
	Allowed and blocked Microsoft Office macro execution events are logged.	Allowed and blocked Microsoft Office macro executions are centrally logged and protected from unauthorised modification and deletion, monitored for signs of compromise, and actioned when cyber security events are detected.
		Only Microsoft Office macros running from within a sandboxed environment, a Trusted Location or that are digitally signed by a trusted publisher are allowed to execute.
		Only privileged users responsible for validating that Microsoft Office macros are free of malicious code can write to and modify content within Trusted Locations.
		Microsoft Office macros digitally signed by an untrusted publisher cannot be enabled via the Message Bar or Backstage View.
		Microsoft Office's list of trusted publishers is validated on an annual or more frequent basis.

Source: OAG based on ACSC information



User application hardening

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
Web browsers do not process Java from the internet.	Same as Maturity Level One.	Same as Maturity Level One.
Web browsers do not process web advertisements from the internet.	Same as Maturity Level One.	Same as Maturity Level One.
Internet Explorer 11 does not process content from the internet.	Same as Maturity Level One.	Internet Explorer 11 is disabled or removed .
Web browser security settings cannot be changed by users.	Web browser, Microsoft Office and PDF software security settings cannot be changed by users.	Same as Maturity Level Two.
	Microsoft Office is blocked from creating child processes.	Same as Maturity Level Two.
	Microsoft Office is blocked from creating executable content.	Same as Maturity Level Two.
	Microsoft Office is blocked from injecting code into other processes.	Same as Maturity Level Two.
	Microsoft Office is configured to prevent activation of OLE packages.	Same as Maturity Level Two.
	PDF software is blocked from creating child processes.	Same as Maturity Level Two.
	ACSC or vendor hardening guidance for web browsers, Microsoft Office and PDF software is implemented.	Same as Maturity Level Two.
	Blocked PowerShell script executions are logged.	Blocked PowerShell script executions are centrally logged and protected from unauthorised modification and deletion, monitored for signs of compromise, and actioned when cyber security events are detected.
		.NET Framework 3.5 (including .NET 2.0 and 3.0) is disabled or removed.
		Windows PowerShell 2.0 is disabled or removed.
		PowerShell is configured to use Constrained Language Mode.

Source: OAG based on ACSC information



Restrict administrative privileges

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
Requests for privileged access to systems and applications are validated when first requested.	Privileged access to systems, applications and information is validated when first requested and revalidated on an annual or more frequent basis.	Same as Maturity Level Two.
Privileged accounts are prevented from accessing the internet, email and web services.	Same as Maturity Level One.	Privileged accounts and service accounts are prevented from accessing the internet, email and web services.
Privileged users use separate privileged and unprivileged operating environments.	Same as Maturity Level One.	Same as Maturity Level One.
Unprivileged accounts cannot logon to privileged operating environments.	Same as Maturity Level One.	Same as Maturity Level One.
Privileged accounts (excluding local administrator accounts) cannot logon to unprivileged operating environments.	Same as Maturity Level One.	Same as Maturity Level One.
	Privileged access to systems and applications is automatically disabled after 12 months unless revalidated.	Same as Maturity Level Two.
	Privileged access to systems and applications is automatically disabled after 45 days of inactivity.	Same as Maturity Level Two.
	Privileged operating environments are not virtualised within unprivileged operating environments.	Same as Maturity Level Two.
	Administrative activities are conducted through jump servers.	Same as Maturity Level Two.
	Credentials for local administrator and service accounts are unique, unpredictable and managed.	Same as Maturity Level Two.
	Use of privileged access is logged.	Use of privileged access is centrally logged and protected from unauthorised modification and deletion, monitored for signs of compromise, and actioned when cyber security events are detected.

(Appendix AAR: 8.1B)

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
	<p>Changes to privileged accounts and groups are logged.</p>	<p>Changes to privileged accounts and groups are centrally logged and protected from unauthorised modification and deletion, monitored for signs of compromise, and actioned when cyber security events are detected.</p>
		<p>Windows Defender Credential Guard and Windows Defender Remote Credential Guard are enabled.</p>
		<p>Just-in-time administration is used for administering systems and applications.</p>
		<p>Privileged access to systems and applications is limited to only what is required for users and services to undertake their duties.</p>

Source: OAG based on ACSC information



Multi-factor authentication

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
Multi-factor authentication is used by an organisation’s users when they authenticate to their organisation’s internet-facing services.	Same as Maturity Level One.	Same as Maturity Level One.
Multi-factor authentication is used by an organisation’s users when they authenticate to third-party internet-facing services that process, store or communicate their organisation’s sensitive data.	Same as Maturity Level One.	Same as Maturity Level One.
Multi-factor authentication (where available) is used by an organisation’s users when they authenticate to third-party internet-facing services that process, store or communicate their organisation’s non-sensitive data.	Same as Maturity Level One.	Same as Maturity Level One.
Multi-factor authentication is enabled by default for an organisation’s non-organisational users (but they can choose to opt out) when they authenticate to an organisation’s internet-facing services.	Same as Maturity Level One.	Same as Maturity Level One.
	Multi-factor authentication is used to authenticate privileged users of systems.	Same as Maturity Level Two.
	Multi-factor authentication uses either: something users have and something users know, or something users have that is unlocked by something users know or are.	*Multi-factor authentication is verifier impersonation resistant and uses either: something users have and something users know, or something users have that is unlocked by something users know or are.
	Successful and unsuccessful multi-factor authentications are logged.	Successful and unsuccessful multi-factor authentications are centrally logged and protected from unauthorised modification and deletion, monitored for signs of compromise, and actioned when cyber security events are detected.
		Multi-factor authentication is used to authenticate users accessing important data repositories.

Source: OAG based on ACSC information



Regular backups

Maturity Level One	Maturity Level Two <i>builds from Maturity Level One with additional requirements</i>	Maturity Level Three <i>builds from Maturity Level Two with additional requirements</i>
Backups of important data, software and configuration settings are performed and retained in a coordinated and resilient manner in accordance with business continuity requirements.	Same as Maturity Level One.	Same as Maturity Level One.
Restoration of systems, software and important data from backups is tested in a coordinated manner as part of disaster recovery exercises.	Same as Maturity Level One.	Same as Maturity Level One.
Unprivileged accounts can only access their own backups.	Unprivileged accounts, and privileged accounts (excluding backup administrators) , can only access their own backups.	Unprivileged accounts, and privileged accounts (excluding backup administrators), can't access backups.
Unprivileged accounts are prevented from modifying or deleting backups.	Unprivileged accounts, and privileged accounts (excluding backup administrators) , are prevented from modifying or deleting backups.	Unprivileged accounts, and privileged accounts (excluding backup break glass accounts), are prevented from modifying or deleting backups.

Source: OAG based on ACSC information

Auditor General's 2023-24 reports

Number	Title	Date tabled
9	Implementation of the Essential Eight Cyber Security Controls	6 December 2023
8	Electricity Generation and Retail Corporation (Synergy)	8 November 2023
7	Management of the Road Trauma Trust Account	17 October 2023
6	2023 Transparency Report: Major Projects	2 October 2023
5	Triple Zero	22 September 2023
4	Staff Exit Controls for Government Trading Enterprises	13 September 2023
3	Financial Audit Results – Local Government 2021-22	23 August 2023
2	Electricity Generation and Retail Corporation (Synergy)	9 August 2023
1	Requisitioning of COVID-19 Hotels	9 August 2023

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Office of the Auditor General
for Western Australia



(Appendix AAR: 8.1C)



Report 10: 2023-24 | 20 December 2023

FINANCIAL AUDIT RESULTS

State Government 2022-23



**Office of the Auditor General
for Western Australia**

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(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

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ISSN: 2200-1913 (print)
ISSN: 2200-1921 (online)

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.

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Financial Audit Results –
State Government 2022-23**

Report 10: 2023-24
20 December 2023

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

FINANCIAL AUDIT RESULTS – STATE GOVERNMENT 2022-23

This report under section 24 of the *Auditor General Act 2006* covers 2022-23 financial audit activity to 10 November 2023 and includes:

- opinions and results of audits on the financial statements, controls and key performance indicators of departments and statutory authorities with reporting dates primarily on 30 June 2023
- opinions and results of annual financial statement audits of corporatised bodies reporting under their enabling legislation, subsidiary bodies and other entities as requested by the Treasurer
- audit certification of financial and statistical information produced by entities to discharge conditions of Commonwealth Government funding, grants, Royalties for Regions funding agreements and other legislation
- financial reporting, accountability and audit matters impacting government financial reporting and accountability.

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

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

Caroline Spencer
Auditor General
20 December 2023

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Auditor General's overview

This report summarises the results of our annual financial audits of 122 of 130 State government entities for the year ended 30 June 2023, along with the results of a number of other audits and assurance activities.



Our audits confirm Western Australia's financial operating result continues its strong pattern of surpluses and net debt continues to decline. Pleasingly, there has been a decrease in the number of audit qualification matters at State entities, reversing a concerning three-year trend of increasing numbers. In 2022-23, the number of qualifications reduced from 45 at 25 entities to 37 at 19 entities.

As well as fewer qualifications, there was also a 21% reduction in the number of control, financial statement and KPI issues reported to management.

This positive result reflects the diligent and concerted efforts being made by a number of State entities to improve their controls and financial and key performance indicator (KPI) reporting processes.

While there have been some improvements, the number of qualifications is still too high and many entities continue to have repeat audit qualifications.

This indicates that those entities are not resolving previously reported control weaknesses, with over half of the issues we reported to management in 2022-23 relating to previously reported weaknesses. It is essential that entities prioritise addressing audit findings to improve their governance and prevent error and fraud.

While some entities are gaining momentum in their efforts to address weaknesses, there is still much more that they need to do to ensure that public funds, systems and resources are being properly accounted for and managed. After all, the foundations of good public financial management affect us all; enabling public entities to deliver their service obligations and safeguard the wealth of the state for all Western Australians.

Concerningly, my Office issued an adverse controls opinion at the Department of Primary Industries and Regional Development (DPIRD). This is the first time that we have issued such an opinion for an entity. We found that DPIRD had not made sufficient progress in addressing qualification matters from previous years: in fact, controls had further deteriorated in the current year. While there are reasons for this decline, it serves as an important reminder to ensure that routine financial management processes continue to be performed and resourced appropriately, including in times of significant change or stress in an entity.

Despite our efforts to support entities, we continue to see a lack of preparedness for audit and poor quality financial statements presented for audit in too many entities. Timely reporting to Parliament is dependent on entities being audit ready and meeting agreed timeframes. Support needs to be provided to finance staff across the sector to ensure they are well resourced and accessible during reporting and auditing processes. Chief finance officers need to review our better practice guides on audit readiness and financial statement preparation and, as a minimum, perform checks on their audit readiness prior to the commencement of the audit.

There were a number of challenging financial reporting, accountability and audit matters that we encountered during 2022-23, including climate change reporting, government trading enterprise reform, valuations and issues relating to combustible building cladding. We continue to identify significant concerns regarding entities' stewardship of restricted funds. Several entities need to significantly improve their practices for these funds to ensure that

they are sufficiently quarantined and that payments are appropriately approved in line with underlying agreements/legislation.

There remains a need to build and improve capacity and capability within many finance functions across the public sector, including around basic financial controls and processes such as bank reconciliations.

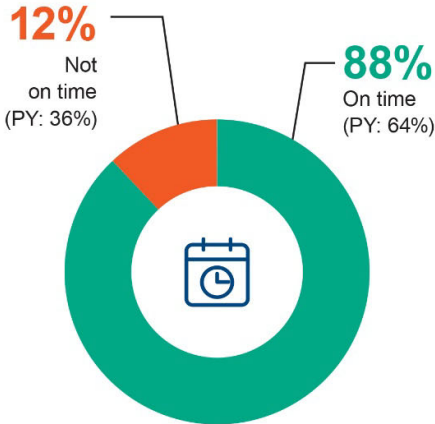
However, as noted above and throughout this report, positive outcomes can be achieved where entities display the appropriate resolve, commitment, intent and diligence, and to see the trend of record audit qualifications arrested is a very good sign.

While the report demonstrates that there is still much more that entities can do, we look forward to the 2023-24 reporting season with every belief this improvement trend will be even more evident.

To that end, I would like to acknowledge the determined efforts by entity leaders and staff to address and resolve some significant issues in a skills constrained environment.

I also recognise and am thankful for the continued high standards of professionalism and hard work of my staff and our contract audit firms.

2022-2023 at a glance



Audits completed within the prescribed period (90 days from year end statutory deadline)

- 130** State government entities
- 122** audits finalised and the results included in this report
- 1** adverse opinion (PY: 0)
- 37** qualifications matters (PY: 45)
- across **19** entities for 2022-23 (PY: 25)

General government sector realised a **\$5.1 billion** surplus (PY: \$6 billion)

We audited **\$152 billion** of total public sector net assets (PY: \$132 billion)

Audit results

37 qualified matters (PY: 45) (page 15)	8 opinions outstanding (page 68)	358 management letter issues (PY: 452) (page 28)
20 prior year qualifications removed (PY: 6) (page 19)	1 adverse opinion (PY: 0) (page 16)	450 information system control weaknesses (PY: 566) (page 34)

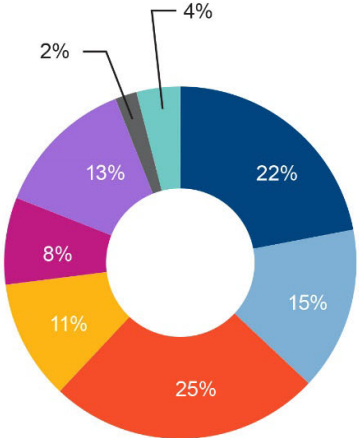
 \$2.65 billion adjusted errors (PY: \$1.8 billion)	 \$200 million unadjusted errors (PY: \$935 million)	 There were 47 entities which had no audit errors (PY: 42)
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(Prior year shown in brackets)

358 management control issues (page 27)

During 2022-23, we alerted 89 entities to control weaknesses that needed their attention. 85 were rated as significant, 171 moderate and 102 minor.

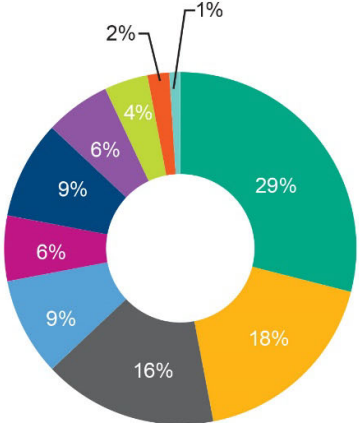
- Expenditure
- Accounting procedures
- Payroll and human resources
- Asset management
- Revenue
- Governance
- Inventory
- Liabilities



450 information system control weaknesses (page 34)

During 2022-23, we alerted 49 entities to control weaknesses that needed their attention. 27 were rated as significant, 297 moderate and 126 minor.

- Access management
- Information security/framework governance
- Endpoint security
- Human resource security
- Network security
- Business continuity
- IT operations
- Physical security
- Risk management
- Change management



Financial reporting, accountability and audit matters



Use of restricted funds (page 38)



Bank reconciliations (page 39)



Climate change related risk (page 40)



Valuation information (page 44)



GTE reforms (page 45)



Combustible cladding (page 45)



Assurance reports (page 47)

Executive summary

Introduction

This report contains our findings from the annual financial audits of State government entities with a reporting date ending 30 June or 31 July 2023.

At 10 November 2023, we had completed audits and issued audit opinions for 31 departments, 74 statutory authorities, 11 corporations and six other audits. Eight of 130 audits were outstanding.

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

Audit qualifications have decreased

In 2022-23, the number of qualified audit opinions decreased¹, breaking the three-year trend of increasing numbers. The number of discrete audit qualifications reduced from 45 to 37 and the number of entities receiving a qualified audit opinion decreased from 25 to 19. This decrease reflects the concerted efforts made by entities to improve their controls, financial and KPI reporting processes.

Consistent with the theme of improvement, it was pleasing to note that there were 20 qualification matters removed in 2022-23 from the prior year (only six matters in 2021-22).

Underpinning these positive results was a 21% reduction in control, financial statement and KPI weaknesses which we report to management as part of our financial audit. We reported 358 weaknesses to 89 entities. Of these weaknesses, 85 were rated as significant, compared to 114 in 2021-22. This decrease in significant findings correlates with the decrease in audit qualifications, and demonstrates the hard work many entities are putting in to addressing audit findings.

While entities are gaining momentum in their efforts to address weaknesses, there is still much more that they need to do to ensure that public funds, systems and resources are being properly accounted for and managed. Many entities had repeat audit qualifications and the overall number of discrete audit qualifications is still too high. This indicates that entities are not resolving previously reported control weaknesses, with over half of the issues we reported to management in 2022-23 relating to previously reported weaknesses. While there are many factors contributing to this, including resourcing constraints, entities still need to prioritise addressing audit findings to improve their governance and prevent error and fraud.

Also of concern, was the fact that there was a significant deterioration of controls at the Department of Primary Industries and Regional Development resulting in an adverse opinion on controls. This is the first time that we have issued such an opinion for an entity and reflects insufficient progress to address previous audit qualification matters combined with a further breakdown in controls brought about by a new system implementation. While the Department is now making positive progress in addressing these issues, it serves as an important case study on ensuring that routine financial management controls remain in place, even when there are significant changes and pressure on resourcing.

¹ At 10 November 2023, there are eight entities whose audit was not finalised and we do not anticipate further audit qualifications at these entities.

[Page 15](#) and [Appendix 6](#) provides more information on the qualified audit opinions. Observations regarding control weaknesses is on [page 27](#).

Audit readiness remains a concern

Unfortunately, the initiatives we undertook in 2022-23 have not yet led to an improvement in audit readiness by entities. Only 55% of entities were audit ready within 20 days of year-end, with 16% of entities not being ready within 38 days of year end. Of particular concern was that only 38% of entities complied with our new request to have draft financial statements certified by the accountable authority prior to the commencement of our final audit phase.

The quality of the financial statements we receive can be seen in the number of adjusted and unadjusted errors identified during the financial audit process ([page 23](#)). Our audits identified \$2.65 billion of adjusted and \$200 million of unadjusted errors in entities financial statements, compared to \$2.8 billion in 2021-22. This figure shows that entities need to improve the quality assurance process being applied to their financial statements.

Our Office's capacity to support entities is finite and timely reporting to Parliament is dependent on entities being audit ready and meeting agreed timeframes. We may consider taking a harder approach with those entities not audit ready next year, namely issuing an opinion on the financial statements and information they provide us and have available within agreed timeframes, and this potentially could result in additional audit qualifications.

Take-aways from 2022-23

While resource constraints continue to exist, this can no longer be a reason or an excuse for non-performance as regrettably this appears to be the norm now. We have all had to adjust to this environment by being agile, adaptive and innovative, to ensure our service obligations are delivered efficiently, effectively and without compromise.

There remains a need to build and improve capacity and capability within finance functions across the public sector and to be less reliant on third party providers, wherever possible.

As noted above, and throughout this report, where entities have displayed the appropriate resolve, commitment, intent and diligence positive outcomes can be achieved.

There is an improvement momentum building and we all have a responsibility to ensure it is maintained as there is still much to be done.

We acknowledge the part we play in this and so will continue with our self-reflection and improvement initiatives. One such initiative is a revamp of our audit methodology and replacement of our electronic audit tool. This is being rolled out across our audit portfolio over the 2023-24 reporting season after we piloted it on three entities this year (two State and one local government). While this comes with a variety of challenges, we are confident it will deliver audit efficiencies in a variety of ways for the benefit of all in years to come ([page 21](#)).

Recommendations

1. Entities should ensure that their finance teams are accessible and available, and have sufficient resources to be audit ready within timeframes agreed in the annual audit plan. In addition, chief finance officers should have regard to our better practice guides on financial statement preparation and audit readiness and, as a minimum, perform a gateway check on their audit readiness prior to the commencement of the audit.
2. Entities should review their annual report processes to ensure that the *Financial Management Act 2006* timeframes are met even if the audit opinion is provided on, or just before, the deadline.
3. All entities should ensure they maintain the integrity of their financial control environment by:
 - a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to relevant staff
 - b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments
 - c. regularly monitoring compliance with relevant legislation
 - d. promptly addressing control weaknesses brought to their attention by OAG audits and other review mechanisms.
4. Entities should periodically review their KPIs to ensure that:
 - a. they are calculated from reliable and complete data
 - b. they remain relevant, appropriate and fairly present performance against realistic targets
 - c. the KPI instructions or policies and procedures are periodically updated and approved so that KPIs are consistently reported and comparable
 - d. variance explanations between actual and target results are appropriately transparent and meaningful.
5. Entities should ensure that they implement robust accounting and authorisation controls over restricted funds to ensure that they are only used for their intended purposes, in line with legislation and other specific agreements.
6. Entities should ensure they are undertaking bank reconciliations appropriately, timely and subject to independent review.
7. Entities should use caution before making climate related disclosures, particularly in the financial statements. If some disclosure is determined to be included, entities need to ensure it is relevant, appropriate, evidenced based and auditable.
8. Entities should ensure they appropriately inform Landgate of any asset register movements, reconcile the Landgate valuation report to their asset register, and review and sense check for reasonableness valuations of land and buildings provided by Landgate.
9. The Department of Treasury should provide timely communication and advice to entities to enable a smooth transition to the government trading enterprises (GTE) legislative framework for 2023-24.

10. Entities should ensure they have completed building cladding remediation assessments, where relevant, in a timely manner and, if applicable, recognise the financial statement impact once it can be estimated reliably.
11. Entities should obtain service organisation controls (SOC) type 2 or equivalent assurance reports when they use software as a service (SaaS) cloud applications for key systems including payroll and finance. For other vendor provided cloud and managed service arrangements, entities also need adequate assurance that the vendor is following good practice and maintaining an effective control environment. These assurance reports should cover the whole financial reporting period.

Audit opinions

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

The Auditor General is required to issue an opinion to Parliament, through the responsible minister, for each State government entity audited. Entities include the audit opinion in their annual report, which is tabled in Parliament by their minister.

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

- financial statements – reasonable assurance that the financial statements and supporting notes are based on proper accounts, present fairly in all material respects and comply with relevant legislation and applicable accounting standards
- controls – reasonable assurance on the design and implementation of control systems and procedures relating to the receipt, expenditure and investment of money as well as the acquisition, disposal of property and the incurring of liabilities. The controls audit examines whether, in all material respects, financial transactions comply with the State's financial framework
- KPIs – reasonable assurance that the KPIs are relevant, appropriate and fairly present in all material respects the performance of the entity in achieving its desired outcomes.

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

Summary of audit opinions

At 10 November 2023 we had issued audit opinions for 122 entities, primarily with financial periods ending on 30 June 2023. [Appendix 4](#) lists all the State entity audit opinions issued since our last audit results report on 30 June 2023, with a summary shown below.

Audit opinion issued on	Type of entity	Number issued	Entities audited
Financial statements, controls and KPIs	Departments	31	31
	Statutory authorities	74	77
Financial statements only	Annual Report on State Finances	1	1
	Corporatised entities	11	12
	Subsidiary entities	3	7
	Request audits	2	2
Total number of audit opinions		122	130

Source: OAG

Table 1: Number and type of State entity audit opinions issued by 10 November 2023

Thirty-seven qualifications for 2022-23

In 2022-23, 19 entities received a qualified audit opinion. A number of entities had more than one qualification within the audit report, and overall there were 37 discrete qualifications² across these 19 entities. While there are eight entities whose audit opinion has not been finalised at 10 November 2023, we do not anticipate any audit qualifications at these entities.

Positively, this is a decrease from the 45 discrete qualifications across 25 entities issued in 2021-22 (the highest number of audit qualifications ever issued by our office). This reflects the diligent and concerted efforts of entities across the sector, and it is clear that momentum is gaining and overall improvements are now beginning to materialise. While there is still much room for improvement, we look forward to the 2023-24 reporting season with every belief this improvement trend will be even more evident.

However, for the first time in our Office's history, we issued an adverse opinion on an entity's controls. An adverse opinion is significantly more concerning than a qualified controls opinion and further information on this is included on [page 16](#).

A qualification is a serious audit matter that may indicate public funds and resources are not being properly accounted for and managed. In addition, a qualification almost always requires additional audit and entity effort to work through the implications for financial reporting and the audit opinion.

We issue a qualification on an entity's financial statements or KPIs if we consider it necessary to alert readers to inaccuracies or limitations in the financial report or KPIs that could mislead readers. If we issue a qualification on controls, it is because we consider a control deficiency makes the entity non-compliant with the State's financial framework. This deficiency could be in policies, procedures, operations and/or practices, and often contributes to a material risk of error, fraud or service interruption.

Common themes in the matters resulting in audit qualifications in 2022-23 include:

- inadequate controls to prevent payroll errors such as overpayments or payments to individuals not entitled to receive payment
- deficiencies in the procure-to-pay process including inadequate segregation of duties and purchase order processes. This significantly increases the risk of incorrect or fraudulent payments
- weaknesses in network security controls which increase the risk of unauthorised access to networks and applications
- weaknesses in cash management controls which could result in restricted funds being used inappropriately
- inadequate controls to ensure all revenue due to the State has been collected and appropriately recorded
- inadequate controls over the approval and release of funds from special purpose accounts.

Nine entities received more than one qualification indicating that there are several areas that require improvement. Of concern are the seven entities who had more than one controls

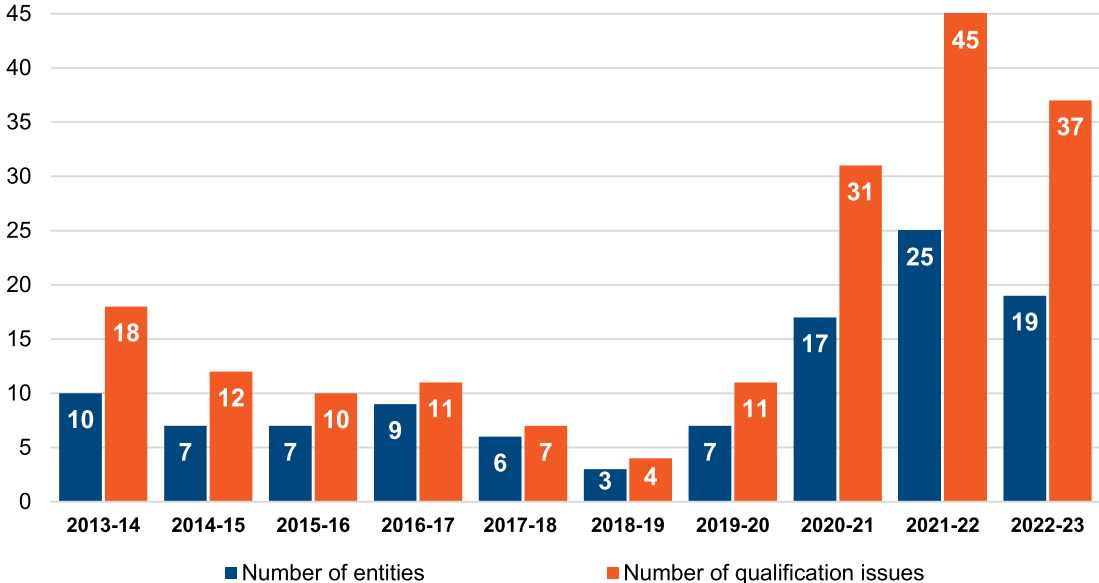
² The Department of Primary Industries and Regional Development had five discrete control matters that resulted in an adverse control opinion. These five matters have been counted as discrete audit qualifications for the purposes of this report.

qualification impacting either cash, expenditure and payroll. As these are critical areas of financial management, the weaknesses expose the entities to error and fraud.

Once again, a large number of entities receiving a qualified audit opinion in 2022-23 continue to be impacted by the 2017-18 machinery of government changes. This may reflect the difficulties these entities have had, and continue to experience, in merging separate systems and processes, and driving organisation-wide control improvements.

The majority of WA Health entities³ received a qualified controls opinion. The qualifications related to weaknesses in general computer controls, particularly controls over network security, remote access and unauthorised devices. Addressing these weaknesses is essential to prevent vulnerabilities which could compromise business operations and sensitive information held by WA Health. We are aware that Health Support Services has established the Critical Health Infrastructure Program with the objective of addressing the issues that have been raised.

For full details of the qualified opinions see [Appendix 6](#).



Source: OAG

Figure 1: Entities with qualified opinions and number of qualification issues for last 10 years

The Department of Primary Industries and Regional Development received an adverse controls opinion

For the first time, the Office issued an adverse controls opinion for an entity – the Department of Primary Industries and Regional Development (DPIRD). This unprecedented step reflected a lack of progress in addressing previously reported controls qualifications combined with a further deterioration of controls in 2022-23.

A qualified opinion is an except for opinion. Here the auditor states that the controls were generally designed and implemented appropriately, except for the weaknesses noted in the report. An adverse opinion differs from a qualified opinion in that we believe that the impact

³ Department of Health, North Metropolitan Health Service, East Metropolitan Health Service, South Metropolitan Health Service, WA Country Health Service and PathWest Laboratory Medicine WA.

of the weaknesses is so pervasive, it is not possible to conclude that controls were designed and implemented appropriately at all.

In 2022-23, DPIRD implemented a new finance and payroll system (Finhub). This change represented a substantial improvement from having three separate finance and payroll systems which occurred after the 2017-18 machinery of government changes. However, the implementation of the system in August 2022, meant that DPIRD's finance team was diverted to this project and away from routine financial management processes.

Consequently, we found that DPIRD did not make sufficient progress to address the underlying issues that resulted in the three controls qualifications reported in 2021-22. In particular:

- for a large portion of the financial year, there was no process in place to monitor cash balances to ensure that there is sufficient operational cash to meet operational payments. We also noted that one of DPIRD's bank accounts was overdrawn at the end of one day largely due to timing differences and funds deposited into a different bank account. While this was rectified the following day as the balance of DPIRD's other bank accounts covered this overdraft, it demonstrates inadequate cash control practices in place
- there was a decline in controls over the review of fortnightly salary reports which were not fully mitigated by other payroll controls
- significant weaknesses in general computer controls remained outstanding or were only addressed part way through 2022-23.

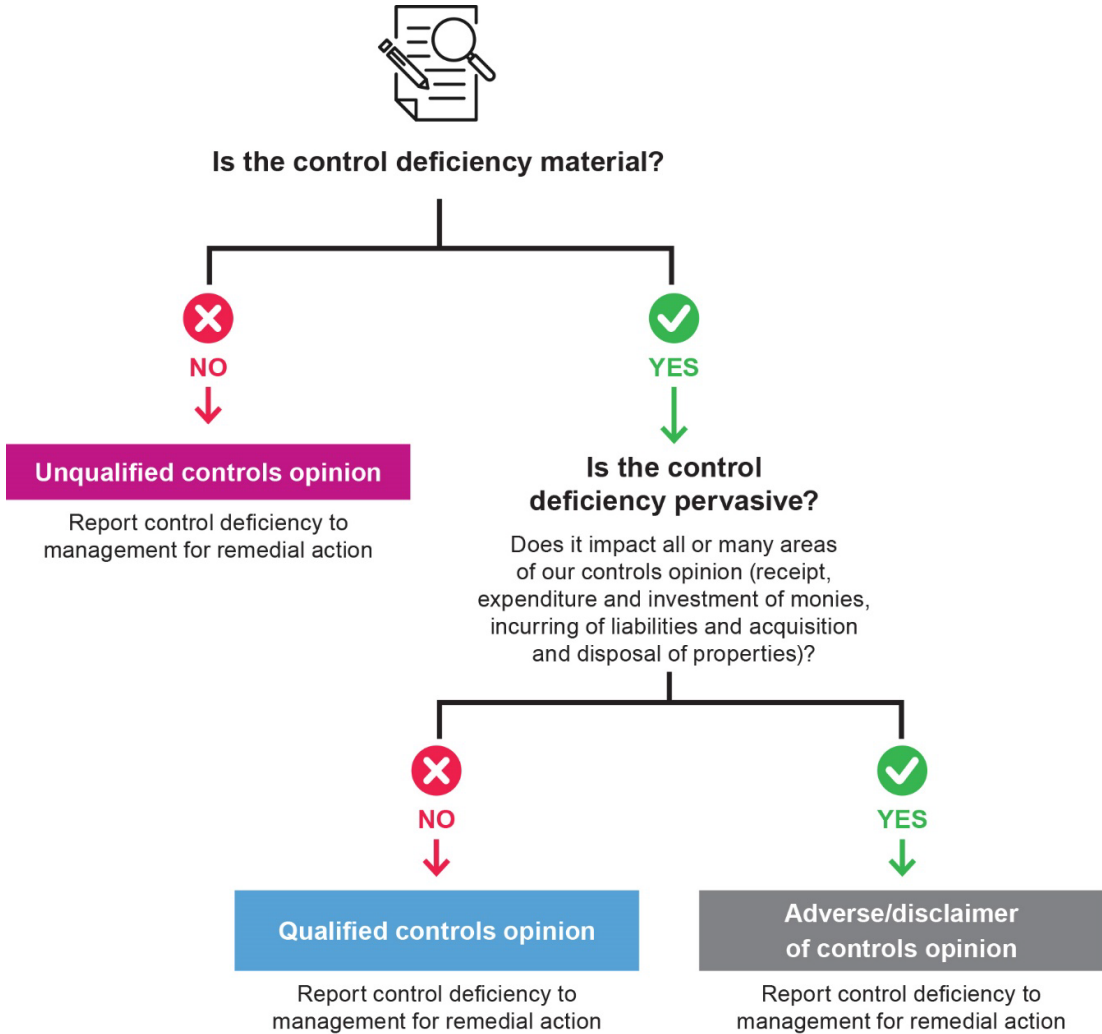
The requirement for finance staff to deliver their business as usual activities in conjunction with the delivery of the system implementation project also meant that DPIRD did not consistently prepare monthly reconciliations for cash, property, plant and equipment, accounts receivable, accounts payable and payroll throughout 2022-23. Of concern was that the bank reconciliation was not prepared at all for the period between October 2022 and March 2023. As this reconciliation ensures that all cash transactions are accounted for and recorded correctly, this significantly increased the risk of fraud and of material errors in financial records.

The implementation of the new system also resulted in a new weakness which meant that it was possible for someone to record commercial fishing fees as received, without receiving the cash. This transaction could then be backdated, so it did not flow through to the finance system and could not be identified as a discrepancy in the bank reconciliation. This also created a significant fraud risk for DPIRD.

As we had identified five discrete areas of deficiencies, impacting all aspects of our controls opinion, we formed the view that the weaknesses are pervasive and issued an adverse controls opinion.

Figure 2 below, depicts some of the questions we worked through when deciding which controls opinion to issue under the relevant auditing standard⁴ (noting this is not an exhaustive summary of our decision-making process).

⁴ ASAE 3150: Assurance Engagements on Controls.



Source: OAG

Figure 2: Decision tree for determining the appropriate controls opinion

After the end of the 2022-23 period, DPIRD worked diligently and completed reconciliations and procedures to largely address the identified shortcomings. This included a full reconciliation of all commercial fishing fees recorded as received to ensure that the transactions had been recorded correctly and cash had been received. This additional and significant work completed by DPIRD staff, as well as a significant increase in audit effort, meant that we were able to issue an unqualified opinion on DPIRD’s financial statements and KPIs. The significance of the success of this additional effort from both parties to achieve an unqualified opinion on the DPRID financial statements should not be understated. DPIRD is a significant entity forming part of the Annual Report of State Finances (ARSF) and thus, had it been qualified, it would have likely resulted in a qualification on the ARSF as well.

DPIRD has committed, and advised us it is already, addressing the underlying weaknesses that resulted in the adverse opinion. However, the situation highlights the importance of ensuring that routine financial management processes continue to be performed, and resourced appropriately, even in times of significant change or stress.

Fourteen entities had their prior year qualified opinions removed

On a positive note, in 2022-23, there were 16 controls, three financial statement and one KPI qualifications resolved across 14 entities. This is a substantial improvement from the six entities who resolved prior period qualifications in 2021-22 and reflects the good progress these entities have made to fix systems, processes and accounting records/treatments. This demonstrated that positive momentum is occurring and positive results can be achieved when the appropriate focus and resources are applied.

Of particular note, the Western Australian Greyhound Racing Association received an unqualified audit opinion on its financial statements, controls and KPIs for the first time since 2013.

Three entities received matter of significance paragraphs

We may include a matter of significance paragraph in our auditor's report to bring a specific matter to the attention of readers for the following reasons:

- where a matter in relation to the financial statements or KPIs is undisclosed or not apparent
- where the Under Treasurer has approved an exemption not to report a KPI.

A full description of these matters is at [Appendix 8](#).

Twenty entities received emphasis of matter/other matter paragraphs

Under Australian Auditing Standards, if a matter is appropriately presented or disclosed in the financial report but, in our judgement, is of such importance that it should be drawn to the attention of Parliament and other interested stakeholders, we may include an emphasis of matter (EoM) or other matter paragraph in our auditor's report.

In 2022-23, 20 EoM/other matter paragraphs were included to bring the reader's attention to specific matters disclosed in the financial statements or KPIs, a decrease from the 27 EoM/other matter paragraphs reported in 2021-22.

There were seven EoMs relating to restatement of comparative balances or figures as a result of errors or changes in accounting policies. While this represents a slight reduction from 2021-22, it remains an area of concern as it represents material errors identified by the auditors and/or the entities themselves. Reflecting and understanding how these errors occurred and how they can be prevented is important to prevent them occurring in future years.

For full details of the EoM/other matter paragraphs we included in the 2022-23 audit opinions, please see [Appendix 9](#).

Material uncertainty related to going concern

Under Australian Auditing Standards, we consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern. We may include a paragraph in our auditor's report to bring the matter to the attention of readers.

In 2022-23, this again applied to the Trustees of Public Education Endowment (the Trust) as the going concern event or condition was that the principal activities of the Trust ceased in 2019. As the previous functions of the Trust were not relevant or duplicated by the

Department of Education, in July 2021 the State Government agreed to draft legislation to repeal the *Public Education Endowment Act 1909*. The implementation of wind-up plans is subject to the passage of amending legislation. Legislative drafting commenced in 2023.

Disclosures were included in the Trust's financial statements about this matter and our audit opinion draws readers' attention to these disclosures.

Quality and timeliness of financial reporting

Planning for the 2022-23 audit season

Given the record number of audit qualifications and the significant concerns regarding audit readiness reported in 2021-22, we expected that 2022-23 would be another challenging financial audit season. This meant that we needed to issue guidance and make changes to ensure that the timely reporting of entity financial results was not jeopardised.

In June 2023, we issued our *Audit Readiness – Better Practice Guide*⁵. This guide, which was flagged as an initiative in our previous financial audit results report⁶, aims to assist entities to be better prepared for their annual financial audits.

In addition, we also requested that entities provide certified financial statements at the commencement of the final phase of the year end audit process. By having accountable authorities sign-off on the financial statements provided to auditors, we hoped that the quality of the financial statements we received for audit would improve, reducing audit effort and delays. Refer to [page 22](#) for commentary on this year's observations about this.

Once again, our key focus was ensuring that the Annual Report on State Finances (ARSF) was audited and released on time in line with the requirements of the *Government Financial Responsibility Act 2000*, which we were pleased was achieved again this year. This required us to prioritise the audits of the entities who comprise of the most significant balances in the ARSF, which meant that some audits were dispensed or deferred in 2022-23. We also contracted out a further 12 audits to balance the work given the continued resource constraints we were experiencing.

Our new Audit Methodology and Tool (AMT) has been implemented for our 2023 tertiary cycle financial audits and we expect our financial audits to fully transition to AMT by June 2024. To support the transition process, we piloted AMT on two state entity audits in 2022-23, the Department of Water and Environmental Regulation (DWER) and the Department of Biodiversity, Conservation and Attractions. Regrettably, this impacted audit timelines and meant, in the case of DWER, that the audit opinion was deferred to allow the audit team more time to develop their audit files and to understand the differences in audit approach. The lessons learned on these pilots were invaluable, and when combined with the lessons from the 2023 tertiary cycle, will help to ensure a more efficient roll-out of AMT for the June 2024 financial audits. We sincerely thank both Departments for being open to participate in this and helping us on the journey. We will communicate with all entities well in advance of the 2023-24 audit cycle to ensure the transition to AMT is as smooth as possible.

Audits dispensed or deferred

Audits dispensed

In 2022-23, we dispensed with the audits of 10 entities whose operations are immaterial to the ARSF. This is consistent with our practice in previous years. These entities included:

- the nine regional development commissions. The nine development commissions were significantly impacted by the 2017 machinery of government changes, with most of their staff being transferred to DPIRD. Their financial statements largely reflect the services/expenses that DPIRD provides/incurs on their behalf, which is subject to audit

⁵ Office of the Auditor General, [Audit Readiness – Better Practice Guide](#), OAG website, 30 June 2023.

⁶ Office of the Auditor General, [Financial Audit Results - State Government 2021-22](#), OAG website, 22 December 2022.

via the audit of DPIRD. The remaining balances in the financial statements are generally insignificant.

- WA Building Management Authority. The entity remains dormant and a decision for dissolution is yet to be made. An audit is due at the earlier of the dissolution date or 30 June 2024.

As required by the *Auditor General Act 2006*, the nine regional development commissions will be subject to audit for the 2023-24 period as we can only dispense with an audit for two years.

Audits deferred

To further help manage the challenges highlighted above, we deferred auditing two entities, advising them in advance that we weren't able to complete their 2022-23 financial audits in time to allow them to table their annual report within 90 days of the end of the financial year as required by the *Financial Management Act 2006*. The entities were:

- Animal Resources Authority: as the entity has been wound up the audit was deferred to allow for the completion of the audits which are material for the ARSF. The completion audit is presently in progress.
- Corruption and Crime Commission: the audit was deferred based on prior year audit timing and to allow for the completion of the audits which are material for the ARSF.

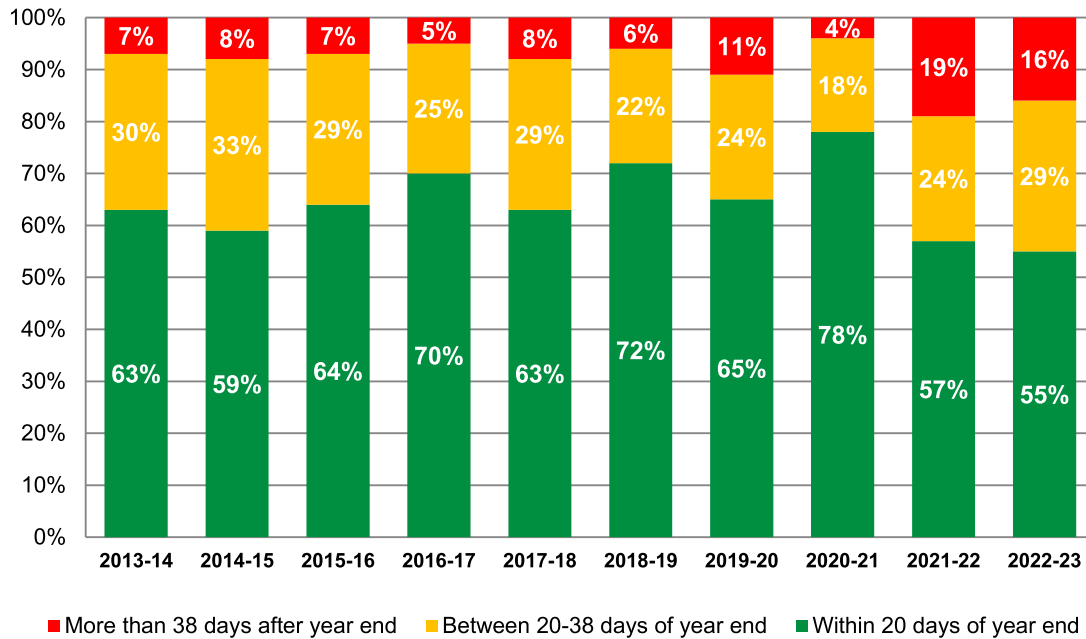
This is not a decision we took lightly but felt prudent as a means of managing the welfare of staff, providing sufficient notice to the affected entities, and ensuring our audit priority remained the completion of the ARSF. As labour market conditions improve, we will once again be in a position to manage our full State sector financial audit program without reverting to these measures.

This is a significant improvement from 2021-22 where we deferred 11 entities audits due to our resource constraints.

Audit readiness and timeliness

With publication of the *Audit-Readiness – Better Practice Guide* and the change in our approach for the certification of financial statements, we expected the level of audit readiness to improve.

This was not necessarily the case, with Figure 3 showing no improvement in the percentage of entities that were audit ready within 20 days of their financial year end (55%). The percentage of entities not ready within 38 days, remains unacceptably high at 16%, down marginally from the 19% reported in 2021-22.



Source: OAG

Figure 3: Percentage of entities audit ready within three time brackets for the last 10 years

Only 38% of entities submitted financial statements for audit which were certified by the accountable authority. A further 42% of entities submitted financial statements certified by the chief finance officer, 2% were certified by another officer and 18% were not certified at all. The quality of the certified financial statements varied, with one entity submitting certified financial statements which had some of the prior year figures copied to the current year in one of the primary statements, as well as other basic errors. This version should never have been presented to the accountable authority for certification, nor to our audit team.

This issue has much broader impacts than just the financial audits of State entities. The Department of Treasury team responsible for the preparation of the ARSF also encountered delays and errors in the submission of financial reporting data needed to prepare the ARSF. This compresses the short window of time they have to prepare the ARSF, as well as the time we have to audit it. The receipt of timely and reliable information both by the Department of Treasury and audit is essential and must be improved.

Despite the request for certified financial statements and better practice guidance, we have not seen an improvement in the level of audit readiness. Going forward, we may consider taking a harder approach to entities who do not submit good quality certified financial statements which could include delaying their audits until they are audit ready.

Adjusted and unadjusted audit errors

When it comes to preparing financial statements, audit errors (i.e. differences) are an indication of the robustness of an entity's processes in preventing errors. An excessive number of audit errors can also impact the overall timeliness and efficiency of the audit.

An audit error is a variance between what an entity reports, presents or discloses and what it should report/present/disclose. Under Australian Auditing Standards, our Office records all audit errors, other than those which are clearly insignificant. An entity can choose to correct the audit error (adjusted) or leave it (unadjusted).

At the end of the audit, we assess whether unadjusted errors are individually and/or collectively material to the financial statements. If audit errors are material, then we will ask the entity to adjust, and if they do not, we will consider qualifying our audit opinion. Entities will generally adjust their financial statements to avoid a qualification. These adjusted numbers then also need to be audited, adding costs and causing time delays.

The values reported below are the aggregate values of errors identified by our audit teams and contract audit firms.

In 2022-23, 53 entities adjusted 133 errors and 38 entities had 79 unadjusted errors.

Value	Number of adjusted audit errors 2022-23	Nominal value of adjusted errors	Number of unadjusted audit errors 2022-23	Nominal value of unadjusted errors
Less than \$250,000	51	\$3,145,700	22	\$1,746,107
\$250,000 to \$500,000	8	\$2,138,292	9	\$3,367,683
\$500,000 to \$1 million	14	\$11,172,165	10	\$7,408,377
\$1 million to \$5 million	30	\$64,770,491	29	\$59,448,002
\$5 million to \$15 million	18	\$159,513,911	7	\$68,492,409
\$15 million to \$30 million	3	\$80,150,000	1	\$19,836,000
\$30 million to \$50 million	0	\$0	1	\$39,387,000
\$50 million and greater	9	\$2,334,009,819	0	\$0
Total number and value of errors	133	\$2,654,900,378	79	\$199,685,578

Source: OAG based on audited financial statements in tabled annual reports

Table 2: Adjusted and unadjusted errors in 2022-23

While the total number of adjusted audit errors decreased slightly in 2022-23 from 137 to 133, the value of errors increased significantly from \$1.8 billion to \$2.65 billion. This is of particular concern and highlights that entities still need to substantially improve their quality assurance procedures for their financial statements.

Most interestingly is that nine of the errors account for 88% of all adjusted errors. The majority (70% or five of the nine errors) related to errors in asset records, including the valuation of assets or the processing of valuation adjustments. This continues to be a challenging issue for entities.

The total value of unadjusted errors has decreased substantially in 2022-23 from \$934.6 million to \$199.7 million.

There were 47 entities which had no audit errors. This is an improvement from 42 entities in 2021-22.

Late tabling of some 2022-23 annual reports

In 2022-23, finalising audit reports well within the 90-day timeframe of the *Financial Management Act 2006* (FM Act) was again difficult, with the last parliamentary sitting date being 21 September 2023.

The practical realities of auditing the whole sector in less than three months means that it is not always possible for us to issue audit opinions weeks or days in advance of the deadline to facilitate the preparation of a professionally printed annual report. While tabling the professionally printed annual report is desirable, it is unnecessary to meet the requirements

of the Public Sector Commission’s annual report guidelines where an in-house printed copy will suffice.

There were 14 entities who received their audit opinion on or before 21 September 2023, but did not table their annual report in Parliament by 21 September 2023. This is disappointing from a transparency perspective, particularly as several entities had their audit opinions a week or more in advance of the deadline. There appears to be a trend, year-on-year, where some entities are routinely applying for extensions under the FM Act to allow for more time to prepare professionally printed reports and for ministerial review prior to tabling.

As reported in 2021-22, Treasury should consider the viability of amendments to the FM Act to allow deemed tabling of annual reports to be permissible when Parliament is not sitting so that the full 90 days is available to entities.

Best practice entities

Each year we rate entities on their financial reporting and financial controls and recognise the top 20 large and top 20 small best practice entities (Table 3). Our definition of small is entities with total expenditure below \$41 million.

We congratulate the entities we rated as the top achievers for 2022-23.

Our assessment criteria includes:

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

While we did not include in the above criteria the receipt of duly certified financial statements prior to the final audit phase, given our observations on audit readiness generally this is likely to be included for 2023-24.

Best practice top 20 large entities	Best practice top 20 small entities
Child and Adolescent Health Services	Burswood Park Board, The
Department of Education	Chemistry Centre (WA)
Department of Jobs, Tourism, Science and Innovation	Combat Sport Commission
Department of Treasury	Construction Industry Long Service Leave Board
Electricity Generation and Retail Corporation (Synergy)	Country Housing Authority
Fremantle Port Authority	Economic Regulation Authority
Government Employees Superannuation Board	Governors Establishment
Insurance Commission of Western Australia	Health and Disability Services Complaints Office

Best practice top 20 large entities	Best practice top 20 small entities
Keystart Housing Scheme Trust	Keep Australia Beautiful Council
Legal Aid Commission of Western Australia	Library Board of Western Australia
Lotteries Commission	Minerals Research Institute of Western Australia
Mental Health Commission	Parliamentary Inspector of the Corruption and Crime Commission
Office of the Director of Public Prosecutions	Public Sector Commission
Queen Elizabeth II Trust	Quadriplegic Centre
Racing Penalties Appeal Tribunal of Western Australia	Small Business Development Corporation
Southern Ports Authority	The Coal Miners Welfare Board of Western Australia
Western Australian Health Promotion Foundation	Trustees of the Public Education Endowment
Western Australian Land Authority	Western Australian Industrial Relations Commission, Department of the Registrar
Western Australian Museum	WorkCover Western Australia Authority
Western Australian Tourism Commission	Zoological Parks Authority

Source: OAG

Table 3: Top 20 best entities in two expenditure categories for 2022-23, in alphabetical order

Recommendations

1. Entities should ensure that their finance teams are accessible and available, and have sufficient resources to be audit ready within timeframes agreed in the annual audit plan. In addition, chief finance officers should have regard to our better practice guides on financial statement preparation and audit readiness and, as a minimum, perform a gateway check on their audit readiness prior to the commencement of the audit.
2. Entities should review their annual report preparation processes to ensure that *Financial Management Act 2006* timeframes are met, even if the audit opinion is provided on, or just before, the deadline.

Control weaknesses

Control environment

Entity management is responsible for developing and maintaining adequate systems of internal control to ensure legislative compliance around public money and resources, as well as accurate recording and reporting of financial information and KPIs. These control systems reduce the risk of error and fraud, and provide assurance to management and auditors that management reports and financial statements are materially correct. Maintaining adequate internal control ensures:

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

The *Auditor General Act 2006* requires the Auditor General to audit entity accounts and, in the case of entities operating under the FM Act, to also form an opinion on their financial controls. This involves, at a minimum, an assessment of the design and implementation of relevant financial management and reporting controls.

We report our findings on control weaknesses relating to expenditure, revenue, financial management, asset management and human resources, in management letters to the accountable authority.

Control weaknesses are rated according to their potential impact and we base our ratings on the audit team's assessment of risks and concerns about the probability and/or consequence of adverse outcomes if action is not taken. We consider:

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

Risk category	Audit impact	Management action required
Significant	Control weaknesses that potentially present a significant financial or business risk to the entity if not addressed promptly. These significant risk findings impact: <ul style="list-style-type: none"> • likelihood of material misstatement in the financial report • ability to achieve objectives or comply with legislation. 	Priority or urgent action by management to correct the material misstatement in the financial report to avoid a qualified opinion or for control risks, implement a detailed action plan as soon as possible, within one to two months.
Moderate	Normally matters requiring system or procedural improvements or low risk matters from previous audits that have not been satisfactorily resolved. These moderate risk findings include: <ul style="list-style-type: none"> • misstatement in the financial report that has occurred, although not material 	Control weaknesses of sufficient concern to warrant action being taken as soon as practicable, within three to six months.

Risk category	Audit impact	Management action required
	<ul style="list-style-type: none">ongoing system control weakness which could or is having a moderate adverse effect of achieving objectives or legislative compliance.	If not addressed promptly, they may escalate to significant or high risk.
Minor	Isolated occurrences, non-systemic or procedural control weaknesses that are administrative shortcomings. Minor weaknesses which are not of primary concern but still warrant action being taken.	Management to implement an action plan within six to 12 months to improve existing process or internal control.

Source: OAG

Table 4: Risk categories for control weakness reported to management

We give management the opportunity to review our audit findings and provide comments prior to completion of the audit. Each control finding is documented in a management letter which identifies weakness, implications for the entity, risk category and a recommended improvement action.

Often management improves policies, procedures or practices after we raise findings and before the audit is completed. At the completion of each audit, we send a copy of our management letter to the responsible minister along with the audit opinion.

When management provides a written response to control weaknesses reported in our audit management letters, we request that they set a timeframe for remedial action to be completed. Most entities set themselves challenging timeframes for remedial action, and generally meet those timeframes. It is, however, disappointing that some entities do not remedy control weaknesses in a timely manner.

While our management letters relate specifically to an individual entity, we can see the weaknesses are often common to other government entities.

Financial management controls

During 2022-23, we alerted 89 entities to financial and management weaknesses that needed their attention.

In total we reported 358 control weakness across the three risk categories (Figure 4):



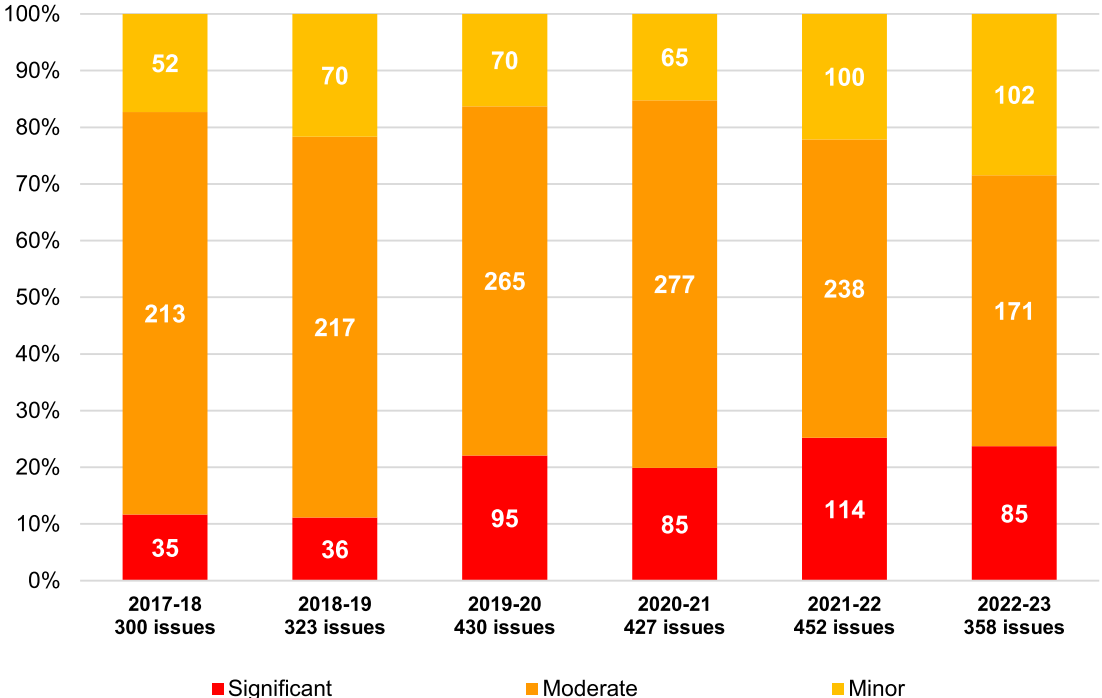
Source: OAG

Figure 4: Number of financial and management control findings by risk category for 2022-23

Although this is a decrease (21%) compared to the 452 reported in 2021-22, across 80 entities, of which 114 were significant, 238 moderate and 100 were minor findings, it does not include weaknesses identified at entities whose opinions remain outstanding. At the date of this report we estimate that there will be a further 19 findings for these audits.

Nonetheless, this is a positive trend and consistent with our overall observation of the process of continual improvement gaining momentum across the sector.

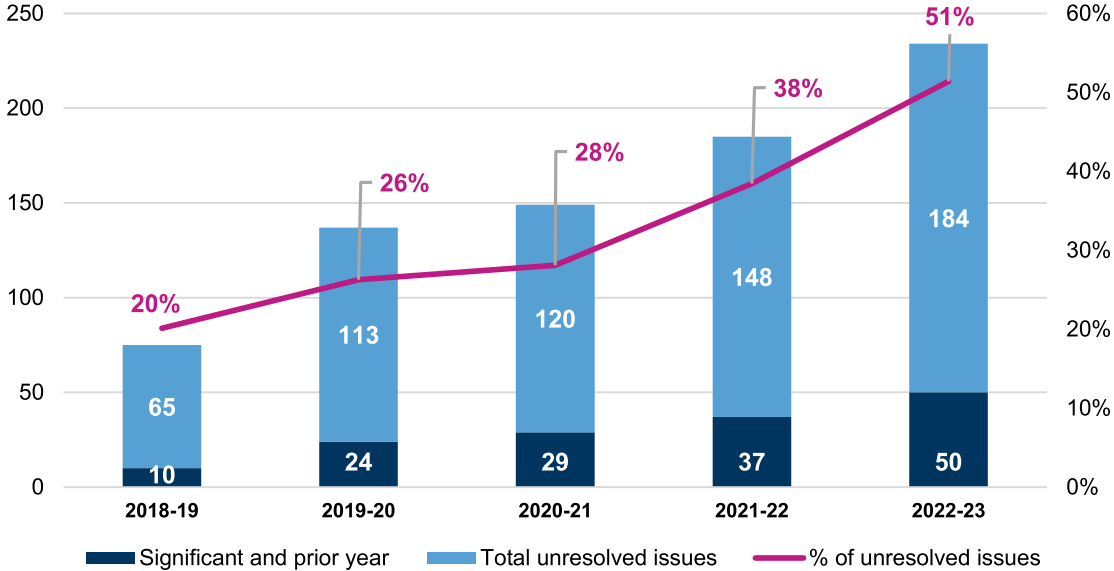
Figure 5 shows the number of weaknesses in each category and the comparative proportion of weaknesses in each category for the last six years. The number and proportion of significant control weaknesses has decreased in 2022-23.



Source: OAG

Figure 5: Proportion of control weaknesses reported to management and comparative ratings of the control weaknesses

As highlighted in Figure 6, 184 control weaknesses (51%) were unresolved from the prior year. This proportion is, regrettably, significantly higher than 2021-22 (39%). Figure 6 also shows that the number of significant weaknesses identified that remain unresolved from prior years has been trending upwards over the last five years. This is most likely a reflection that the issues remaining unresolved are, by their nature, challenging to address (e.g. due to legacy systems, dependency on other entities). Our experience is that there is a genuine desire, intent and effort to resolve all audit findings as quickly as practicable across all entities.

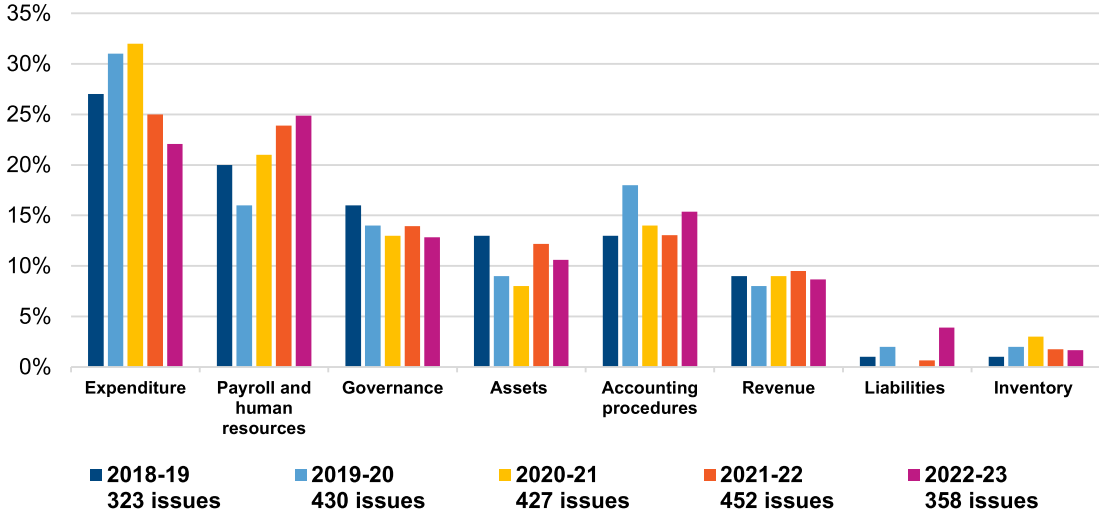


Source: OAG

Figure 6: Unresolved and significant financial management control findings

The 358 control weaknesses identified in 2022-23 are presented in their different financial and management control categories over the last five years in Figure 7. This figure also shows that, for the first time over this time period, payroll and human resources control weaknesses represent the highest proportion of weaknesses across the financial control environment. What is concerning is the significant increase and continuing upward trend in this category since 2020, whilst other categories have either been steady or trending downwards.

Prior to this year, expenditure has been the most significant control weakness category but continues to show a decreasing trend.



Source: OAG

Figure 7: Financial and management control weaknesses for the last five years

Following are examples of control weaknesses identified in the major categories of audit findings.

Expenditure

We reported 79 expenditure control weaknesses to 37 entities in 2022-23 (113 and 54 respectively in 2021-22). Fifty of these were unresolved from the prior year and seven of these unresolved findings were rated as significant.

Of the 79 expenditure control weakness reported, 21 related to credit card issues at 17 entities. Our audits found instances where:

- transactions were not approved in a timely manner
- cancellation of credit cards was not performed on employee termination
- purchasing card transactions were not acquitted within a reasonable time.

Credit card control weakness increase the risk of inappropriate or fraudulent transactions.

Our audits identified 13 entities with 15 control weakness relating to procurement, purchase orders and quotes. Issues identified included lack of signed declarations in the procurement process, purchase orders not obtained prior to receiving invoices and supplier invoices not date stamped on being received.

Nineteen expenditure control weaknesses at 19 entities related to untimely payment to suppliers. A further seven issues related to a lack of segregation of duties over the ordering, receiving, incurring and certification of payments.

Payroll and human resources

We reported 89 payroll and human resource control weaknesses to 44 entities (108 and 48 respectively in 2021-22). Fifty-five were unresolved from the prior year and 21 of these unresolved findings were rated as significant.

There were 22 entities which had 28 weaknesses in payroll approvals and certifications. We found instances where payroll certification statements were not signed by appropriate line managers, insufficient segregation of duties in payroll authorisations, unauthorised approval of higher duties allowances and lack of timeliness in payroll certifications. Without effective monitoring and review of payroll certification reports, there is an increased risk of payroll errors occurring without being detected. This is particularly important when other payroll preventative controls are not operating effectively.

Fourteen control weaknesses were identified relating to annual leave and long service leave. These weaknesses included:

- leave approval granted after commencement of annual leave
- employee absences without approval or submission of leave requests
- inconsistencies in the approval requirements of long service leave payments.

If employees do not submit leave requests and managers do not approve them in a timely manner, there is an increased risk that leave balances are inaccurate, salary overpayments can occur and unauthorised absences from work may result.

Other payroll and human resources weaknesses included instances where:

- employee contracts were not provided for audit
- overtime hours processed were inconsistent with actual hours worked

- timesheets were not approved in a timely manner.

Governance

During our audits we identified 46 financial governance and legislative compliance issues at 29 entities (63 and 34 respectively in 2021-22). Twenty-five of these issues were unresolved from the prior year and 10 unresolved prior year issues were rated as significant.

Major control weaknesses included:

- issues with risk management at 11 entities. This included lack of review and approval of risk registers, risk management policies not being updated and policies not being tested to assess effectiveness
- instances of expired service level agreements
- lack of external review on the effectiveness of the internal audit function.

Accounting procedures

During the 2022-23 audits, we identified 55 accounting procedure issues at 40 entities (59 and 31 respectively in 2021-22). Of these issues, 16 were unresolved findings from the prior year and three were rated as significant. The major control weaknesses included:

- missing or incomplete related party confirmations. This increases the risk of unidentified or inappropriate related party transactions
- inaccurate or inadequate records on the distribution of gift vouchers
- significant individual payments and cumulative transactions that were not able to be traced through the contact register. When purchases are made individually and in aggregate value exceeds the officer's purchasing limits, there is an increased risk of undetected fraud, organisational inefficiencies and financial losses
- contracts signed after the commencement of work and contract extensions signed after expiry of previous contracts.
- lack of evidence for purchase and receipt of goods
- lack of controls in the cash reconciliation process to ensure that restricted cash was used appropriately
- untimely preparation and/or review of bank reconciliations. This increases the risk that errors, omissions, or fraud go undetected.

Assets

We found 38 asset issues at 27 entities (55 and 32 respectively in 2021-22). Fifteen issues were unresolved from the prior year and six prior year issues were rated as significant. Major control weaknesses in this area included:

- the accuracy of fixed asset records
- inadequate processes to review the valuations undertaken, potentially resulting in errors in the valuation process remaining undetected
- asset management and reconciliation issues.

Revenue

Thirty-one revenue control weaknesses were reported at 23 entities (43 and 25 respectively in 2021-22). Fourteen findings were unresolved from the prior year and three prior year findings were rated as significant. The issues included:

- poor controls over the receipting of monies, including inadequate segregation of duties
- inadequate procedures for the investigation and follow-up of outstanding debtors
- a lack of preparation and/or review of revenue reconciliations.

Recommendation

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

Information systems controls

Entities rely on information systems to deliver important services and operations. It is therefore important to protect these systems from information and cyber security threats as the environment continues to evolve. Entities must implement and continually fine tune their controls to ensure secure and resilient information systems.

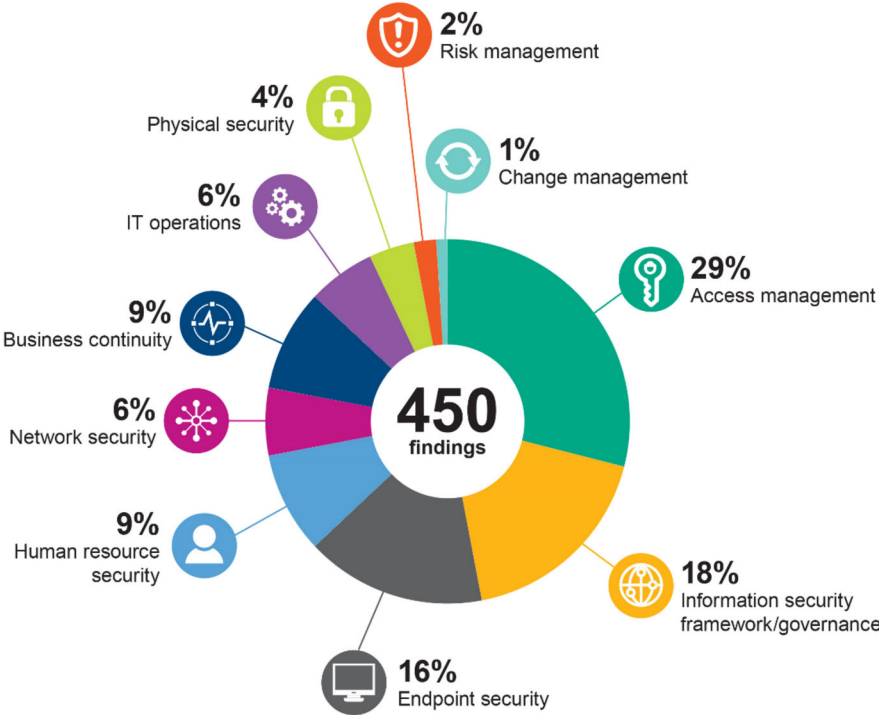
Audits of general computer controls are a major part of work we undertake to assess the effectiveness of information and cyber security controls to ensure reliable and secure processing of financial and key performance information. We focus our information systems audits on those entities with significant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

In 2022-23, we identified 450 weaknesses across 49 entities compared to 431 findings at 51 entities last year. Fifty-five percent of these were unresolved issues from the previous year, which is an increase from last year's 46%. Six percent of the issues were rated as significant, moderate issues represented 66% requiring action as soon as possible and the other 28% were rated as minor.

Of the weaknesses identified, the majority (78%) related to information and cyber security controls:

- 29% related to access management issues. These included poor management of privileged accounts, lack of multi-factor authentication, delays in access revocation, monitoring user activity, and review of access privileges
- 18% related to information security framework weaknesses. These included inadequate policies and processes to govern information and cyber security
- 16% related to controls to protect endpoints (end user devices and servers). These included system vulnerabilities, outdated software, protection against malicious code, and system hardening
- 9% related to human resource security issues. These included screening policies and background checks for staff, onboarding and offboarding processes not being followed and cyber security awareness of workforce
- 6% related to network security issues. These included penetration tests not being performed, lack of network segregation and unauthorised device control
- business continuity made up 9% of the findings and the remaining 13% of the issues related to IT operations, risk management, physical security and change control.

The majority of issues are simple to fix, but if not resolved these leave entities potentially vulnerable to security incidents and disruption. Figure 8 shows the percentage of total findings made against 10 categories of control risk.



Source: OAG

Figure 8: Information weakness across 10 control risk categories

A more detailed report on the results of our information system audits is planned for the first quarter of 2024. The report will consolidate the results of audits of entities with a 30 June 2023 reporting date and upcoming work on entities with a 31 December 2023 reporting date.

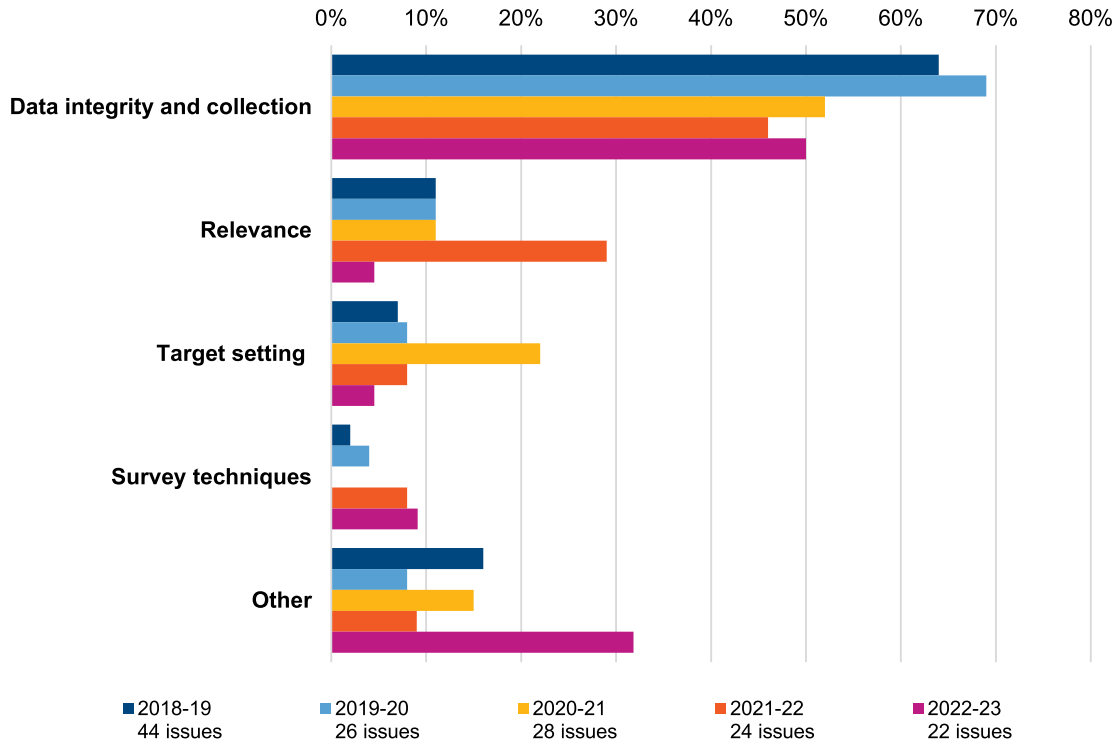
Key performance indicators

In 2022-23 we reported 22 KPI weaknesses to 17 entities. Almost all the weaknesses need prompt or urgent attention by entities.

KPI weaknesses	2018-19	2019-20	2020-21	2021-22	2022-23
Number of entities with KPI weaknesses	26	19	19	17	17
Number of KPI weaknesses rated as significant	18	9	5	5	4
Number of entities with qualified KPI opinions	1	1	1	1	0
Number of KPI weaknesses reported	44	26	28	24	22

Source: OAG

Table 5: Summary of KPI weaknesses reported to entities over the last five years



Source: OAG

Figure 9: KPI control weakness for last five years

We reported 11 control weaknesses relating to data integrity and collection at 10 entities, a slight increase from the 10 issues at eight entities in 2021-22. Three findings remain unresolved from the previous year. The weaknesses largely related to data input errors in the systems used to record performance information, where our audit testing identified differences between the data recorded in the system and the underlying records.

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

As with prior years, we observed that explanations of variations between actual and targeted KPI results were not always as transparent and meaningful as they should be for the benefit of readers understandability. So again, we reiterate the needs for all entities to be clear and transparent when reporting the reasons for significant variations to better inform users of the entities’ performance.

We also observed that some entities had not recently completed a formal review of their outcome based management framework, including reviewing existing effectiveness and efficiency KPIs reported, in the context of the entities’ current role, responsibilities and services provided. If KPIs do not include all material aspects of outcome achievement and service delivery, there is an increased risk that they may not be an accurate reflection of an entity’s performance.

The other category increased to four issues in 2022-23, largely as a result of additional issues relating to a lack of policies/procedures/manuals supporting the KPIs.

Recommendation

4. Entities should periodically review their KPIs to ensure that:
 - a. they are calculated from reliable and complete data
 - b. they remain relevant, appropriate and fairly present performance against realistic targets
 - c. the KPI instructions or policies and procedures are periodically updated and approved so that KPIs are consistently reported and comparable
 - d. variance explanations between actual and target results are appropriately transparent and meaningful.

Financial reporting, accountability and audit matters

Use of restricted funds (special purpose accounts)

Issue

Many entities hold funds which can only be used for the purposes in which they were provided. As the use of these funds is restricted, they are classified as restricted cash and cash equivalents in entities' financial statements.

Restricted cash and cash equivalents typically include:

- monies held in special purpose accounts. These refer to accounts established by legislation or by a trust statement which specifies how the funds are to be used. An example of a special purpose account is the Road Trauma Trust Account which holds revenue from photograph-based vehicle infringement notices (e.g. speed cameras) to be used for road safety initiatives
- royalties for regions funds. These funds must be used for the purpose of providing infrastructure and services, broadening and developing the economic base and maximising job creation and improving career opportunities in regional WA
- grant funding which can only be used in accordance with the purpose specified in the grant agreement.

As these funds are often held within entity operating bank accounts, entities need to ensure that they have robust accounting and authorisation controls over the use of these funds to ensure that they are only used for their intended purpose.

What we found

There were four entities who did not have robust controls over the use of restricted funds to ensure that they were used in accordance with the specific requirements set out in legislation, special purpose account statements or grant agreements. In particular:

- DPIRD did not have controls in place to identify and prevent inappropriate, albeit inadvertent, use of restricted cash throughout 2022-23 to fund shortfalls in operational cash.
- The Police Service did not obtain the minister's final determination of the projects to be funded from the Road Trauma Trust Account for 2022-23 before making payments. Therefore, we were unable to determine if payments out of this special purpose account were approved in line with legislative requirements.
- The Department of Local Government, Sport and Cultural Industries did not have sufficient controls in place to prevent special purpose accounts from being overdrawn. In 2022-23, the Sunset Heritage special purpose account was inadvertently overdrawn, without the approval of the Treasurer as required by the *Financial Management Act 2006*.
- The Department of Communities had weaknesses in its cash management controls which, and consistent with our observation for the 2021-22 year, resulted in funds received from the Disability Services Commission and Housing Authority, which were intended to fund the provision of staff resources to the Disability Services Commission and Housing Authority, being used for operational purposes.

These issues ultimately impacted the controls and/or financial statement opinions for these entities.

Bank reconciliations

Issue

Bank reconciliations are a fundamental financial control which compares the cash bank balance recorded in the finance system with the balance held in the bank account. Regular reconciliations provide entities with comfort that all revenue and expenditure, which is primarily transacted through bank accounts held with financial institutions, has been completely and accurately recorded in the finance system. It is a key mechanism for identifying errors and fraud. Despite this being one of the most basic of financial controls, several entities struggled to properly prepare their bank reconciliations in 2022-23.

What we found

We reported eight findings regarding weaknesses in bank reconciliation processes. Common weaknesses include:

- bank reconciliations not prepared (or in a sufficiently timely manner) or not independently reviewed
- basic errors in the presentation and logic of the bank reconciliation
- lack of investigation and review of reconciling items (i.e. transactions in either the ledger or bank account that had not been properly recorded in the other not followed up).

At North Metropolitan Health Service (NMHS) and DPIRD, the issues were so significant that they impacted the controls, and in the case of NMHS the financial statement opinions. Further information on NMHS is included in Case study 1.

Case study 1: Bank reconciliations at the North Metropolitan Health Service

A high volume of transactions are processed in the North Metropolitan Health Service (NMHS) bank account on a daily basis. System limitations for NMHS make reconciling these transactions to the finance system a highly manual and complicated process.

In 2022-23, the NMHS modified the presentation and logic of its bank reconciliation to help identify and address outstanding reconciling items within the various billing systems. The revised reconciliation compared the monthly movement between the opening and closing balance of cash receipts and payments recorded in various systems with those recorded in the bank statement.

While this revised format assisted management to identify where problems may exist, it did not reflect a traditional bank reconciliation as it did not reconcile differences between the cash balance in the finance system with the cash balance in the bank account at a point in time. This meant that details of prior month unreconciled items were maintained in separate records and not captured in the following month bank reconciliation statements, with a risk that these are not further investigated on a timely basis.

We also found that NMHS had historical unreconciled balances. Despite the significant work undertaken by NMHS to address the historical unreconciled balances, at 31 May 2023, an amount of \$2.8 million remained unreconciled. In June 2023, management decided to adjust the cash balance in the finance system to reflect a reported cash position in the financial statements that more accurately aligned to the cash balance in the bank account. While this adjustment removed the unreconciled balance from the bank reconciliation, it was not possible to conclusively identify the exact transactions that made up this adjustment.

Accordingly, these issues contributed to the qualified control and financial statement opinions for NMHS.

Managing climate change related risk

Issue

Climate change is recognised as a pressing global issue and has the potential to affect how the State Government plans and delivers the critical services and infrastructure the community depends on. When these are damaged or disrupted by extreme weather events, there is a risk to WA's natural resources, economic prosperity and the community's health and wellbeing.

While international bodies are providing increasing levels of guidance regarding climate change reporting⁷, and some large Australian companies have started voluntarily reporting climate-related financial impacts and initiatives⁸, Australian-specific reporting requirements are still being developed for legislative enactment⁹.

The Western Australian Parliament, government and central agencies are currently determining what level of reporting requirements would apply to public sector entities in our state, based on what is proposed and enacted nationally, and will update the financial framework accordingly.

While some climate-related impacts are already reported through financial reports and other mechanisms¹⁰, as public entities prepare for broader-based reporting requirements, there are pockets of confusion in the sector as to the current requirements for climate-related financial reporting.

What we found

Entities (mainly the government trading enterprises) have started to consider and disclose climate-related financial risks.

However, we found that some entities included disclosure in their financial statements which were either unsupported, not readily auditable and/or are better placed elsewhere in the annual report.

For example, during our audits, we identified that some entities had wanted to disclose:

- climate-related risk statements, including those to the effect that there was no evidence of a material impact on the financial performance or financial position for the reporting year presented, without sufficient analysis/audit evidence to support the statement
- references to monitoring of carbon emissions and the aim to reduce emissions by energy transformation
- future-focused information in transitioning to climate change policy requirements and contributions to carbon emission targets.

Through the audit process we required disclosures in the financial statements to be adequately substantiated. This required, in some instances, modifications to entity financial disclosures relating to climate risk or moving content to elsewhere in the annual report,

⁷ The International Sustainability Standards Board (ISSB) issued its first two IFRS standards in 2023 - IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

⁸ Some Australian and international reporting entities have commenced reporting in accordance with the Task Force on Climate-related Financial Disclosures (TCFD).

⁹ The AASB has recently issued an exposure draft for consultation based on the ISSB standards and will issue standards following stakeholder feedback in early 2024, and the introduction of the Australian Government's proposed legislation into the Australian Parliament.

¹⁰ Including for entities subject to National Greenhouse and Energy Reporting Scheme greenhouse gas emissions reporting.

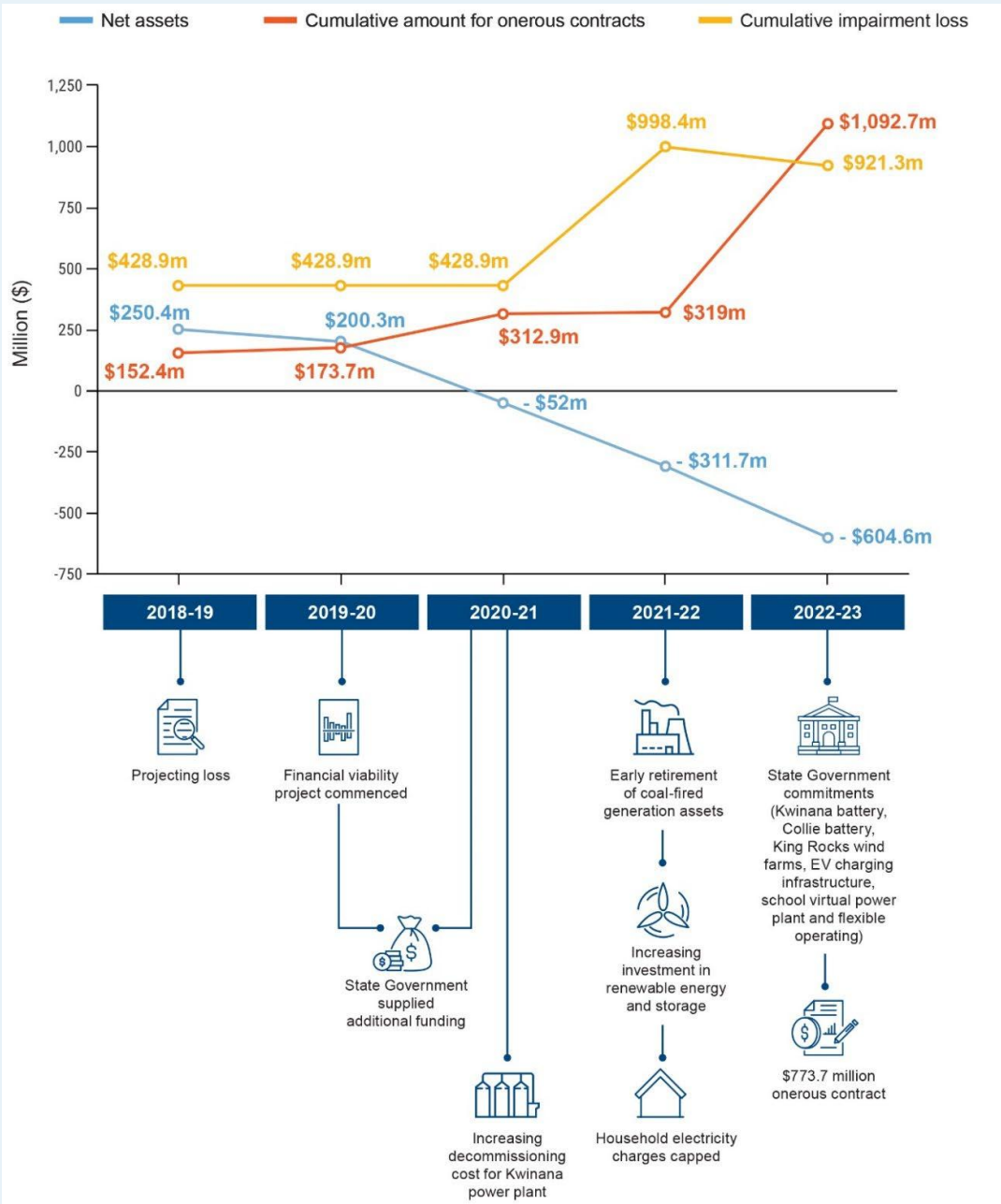
noting that information included in the annual report must not contradict the audited financial statements.

We commend entities in seeking to be proactive around providing climate related disclosures and commentary in their annual report and, where considered relevant, the financial statements. This focus will be required when new reporting standards are enacted. However, in the absence of specific standards and finalised guidance and templates from the WA Department of Treasury on public entity reporting requirements, we recommend that entities use caution before making any disclosures. All disclosures included in entities' financial statements need to be relevant, appropriate, evidenced based and auditable.

Case study 2 provides information on the impact of climate change and related policies on the Electricity Generation and Retail Corporation (Synergy).

Case study 2: Impact of energy transition announcements and contract provisions on Synergy's value

Synergy's net asset value has declined significantly over the last five years, resulting in a net assets deficiency of \$604.6 million at the end of 2022-23. Cumulative State Government decisions and external factors have significantly impacted the net asset value of Synergy. These decisions and factors have led to the recognition of significant impairment losses and onerous contracts over recent years (Figure 10).



Source: OAG

Figure 10: Cumulative impact of various conditions and State Government decisions on the net assets value of Synergy

An impairment loss is recognised when external factors diminish the value of assets. From 2018-19, the external factors included a higher-than-expected uptake of household solar systems, a State Government policy that capped the price of electricity and an increase in the oncosts charged by Western Power for network supply. To mitigate this, since 2019-20, the State Government has provided operating subsidies to the entity that helped limit further impairment losses.

To meet the 80% reduction in 2020 emissions by 2030, the State Government announced an early retirement of all State Government-owned coal power stations. This led to an impairment loss of \$569.5 million for Synergy in 2021-22.

In 2022-23, as Synergy could not write-down its assets any further based on the valuation technique used in previous years, an alternative technique led to a reversal of impairment of \$77.1 million and the separate recognition of onerous contracts across certain commodities and sales contracts.

In addition, existing contracts lock in the fixed price for gas and coal to be supplied, even if the commodities go unused. Historically, Synergy has signed contracts to guarantee the supply of gas and coal to ensure future electricity generation. The long-term gas contracts were signed in 2011 and commenced in 2016 to supply gas through until 2036. Occasionally, Synergy has been required to sell gas to meet its take or pay obligations and/or manage its portfolio position. This meets the criteria of an onerous contract, where the unavoidable cost of meeting obligations under the contract exceeds the economic benefit to be received (i.e. less gas used than paid for).

The State Government announced the closure and decommissioning of all State-owned coal power stations by 2030 so the amount of coal required for power generation is reducing, meaning in the future Synergy may have an excess supply of coal.

Synergy is required to set aside an amount for the decommissioning of the coal fired power plants. During 2020-21 an additional \$92.1 million was needed to safely remove asbestos during the decommissioning of the Kwinana power station.

The future

Synergy's model for determining future electricity demand relies on the State Government's SWIS Demand Assessment 2023-2042. This is an initial assessment of the potential future electricity demand required over the next 20 years to meet industry and Government commitments of achieving net zero greenhouse gas emissions by 2050. The achievement of the level of power generation that may be required is dependent upon a program of significant investment in new assets before 2029-30 by market players that are not identified. Up to 2029-30, Synergy's investment in new generation capacity is projected to be \$5 billion, last year the equivalent projection was for \$2.9 billion.

At 30 June 2023, Synergy's net assets were expected to return positive in 2024 supported by additional public equity contributions of \$1.586 billion from the State Government for wind generation and battery storage projects.

In prior years, Synergy received State Government contributions of \$155.7 million in 2021-22 for battery storage. In 2022-23, they received State Government contributions of \$438 million predominantly for big battery projects at Kwinana and Collie (\$415.3 million).

Accuracy and completeness of valuation information

Issue

Entities need to work more collaboratively with the Western Australian Land Information Authority (Landgate) to prevent errors in land and buildings (improvements) valuations.

Landgate are responsible for most State entities' land and improvement valuations. Given the large number of assets to be valued, this process starts early in the financial year. They adopt the following practices as part of the valuation process:

- Entities are advised when a kerbside inspection was last performed and asked to advise Landgate on any changes to buildings/improvements made since the last inspection.
- Entities are asked to inform Landgate of any changes to their asset register continuously throughout the year.
- Landgate matches the Government Property Register (GPR) against the land title register on a regular basis throughout the financial year, verifying and amending any exceptions.
- After the release of the completed asset valuations to entities, Landgate makes any necessary amendments based on entity advice, prior to the release of the Whole of Government Register to Treasury. A window of approximately four weeks exists to finalise the Whole of Government register.

What we found

In a number of our audits we found misstatements as a result of entities not performing:

- their own assessment of the movements in the land and improvements valuations for the year to determine if there are any movements that are outside of expectations which require additional inquiries. This particular process is equally relevant for Landgate to adopt as, if undertaken, would identify any apparent anomalies between current and prior year valuations for validation prior to the release of the information to the relevant entities.
- a reconciliation to determine whether they have any land and improvements on their asset register that have not been revalued by Landgate and seeking to have such assets valued.
- their own reconciliation to determine if any assets are shown on the valuation report have not been recorded in their asset register to determine if they should have been.
- a review of Landgate data until the June month-end process. This created time pressure on Landgate during the final audit phase that delayed their response time.

An example of the impact of these issues is included in Case study 3.

Case study 3: Western Australian Planning Commission

The Western Australian Planning Commission (WAPC) has substantial land and improvements revalued each year by Landgate. As part of our audit procedures, we performed testing to identify any unusual movements in valuations from the prior year to the current year, to verify if these recorded movements were appropriate.

We found that management had not undertaken their own evaluation to determine if the movements determined by Landgate were reasonable (i.e. consistent with expectations).

Management referred our queries to Landgate, who after further investigation, found that the valuations had been undertaken incorrectly for the specific land identified. As a result, this land was found to be overstated by a material amount of \$25 million. Management agreed to adjust the value of the land based on the revised valuation.

Treasury's government trading enterprises reform program

Issue

The *Government Trading Enterprises Act 2023* and the *Government Trading Enterprises Regulations 2023* commenced on 1 July 2023 (GTE legislative framework). The new legislative framework is designed to enhance the governance of government trading enterprises (GTEs). The provisions relating to annual performance statements, reporting and information sharing complement the enhanced disclosure to Parliament with the full Budget papers for GTEs. The GTEs covered by the new regime include the electricity corporations, water corporations, port authorities and the land authority.

The GTEs were required to prepare their 2022-23 financial reports for the first time under the financial administration and audit (FAA) transitional provisions of new GTE legislative framework rather than under their respective establishing statutes (as was done in previous financial years). Our auditor's report and related communications have referred to the appropriate terms used by the GTE legislative framework.

What we found

During the financial audits of GTEs, it became apparent there was some ambiguity in applying the FAA transitional provisions together with other obligations under the new GTE legislative framework. Specifically, there was some confusion over whether, and how, the FAA transitional provisions were to apply for 2022-23 financial reporting, including the other new governance requirements such as updated requirements for directors' declarations and the new requirements for chief executive officer and chief finance officer declarations.

To ensure a smooth transition to the new GTE legislative framework in 2023-24, the Department of Treasury needs to provide timely communications and adequate guidance to GTEs, particularly on those changes from the previous legislative regime relating to the financial reporting and governance requirements.

Information about the tabling of 2023-24 Statements of Corporate Intent for GTEs is included in [Appendix 1](#).

Combustible building cladding

Issue

Between July 2017 and June 2019, the Department of Mines, Industry Regulation and Safety's (DMIRS) Building and Energy Division coordinated a statewide cladding audit, following the Grenfell Tower fire in London that claimed 72 lives. The use of combustible cladding was identified as a factor that fuelled the rapid spread of the fire in that event. In September 2017, DMIRS Building and Energy Division contacted and requested all entities undertake audits of their facilities and building portfolios.

DMIRS requested that entities use the following as a minimum scope in their assessments:

- all buildings constructed or refurbished after 2000
- that are three storeys or greater

- with combustible cladding attached or incorporated
- that fall within Building Code of Australia (BCA) classes 2, 3, 4 and 9.

These BCA classes of buildings are considered high-risk as they typically include places where people sleep (apartments, hotels and caretaker accommodation), they house vulnerable occupants (hospitals, nursing homes and child-care centres) or they cater for high-occupancy events (entertainment venues and public buildings).

What we found

Consistent with our observation in 2021-22, entities, where relevant, are including appropriate disclosures in their financial statements which provide information about their obligations to address any required remediation. A summary of the status at some entities is included in the case studies below.

It is important that entities finalise assessments and investigations as soon as possible so that they can ensure that the financial impact of any remediation is appropriately recognised in their financial statements, and work is appropriately prioritised. This may require the recognition of a liability (provision) or a write down of the asset value (impairment). While funding for the remediation may not be finalised or received until future years, this does not negate the need to recognise the financial statement impact once it can, and has been, reliably estimated. This also means an entity should not unduly delay the remediation assessment so as to avoid the necessity to recognise the obligation, if any, on the balance sheet.

Case study 4: Health entities

In 2019, the Department of Health made a commitment to remove and replace aluminium composite panel cladding installed at WA health system buildings to ensure the ongoing safety of staff and patients.

At 30 June 2023, the WA Health Cladding Audit and Replacement Program was still ongoing. WA Health completed assessments and cladding was replaced at King Edward Memorial Hospital, Royal Perth Hospital and Rockingham General Hospital. Other WA Health sites are still being assessed and tested to determine the extent of cladding at the buildings and the work that will need to occur, if any.

Given that the announcement was made in 2019, there is an expectation (constructive obligation) for WA Health to complete this work. Consequently, the financial statements for the Department of Health recorded a contingent liability for this issue, given they are taking primary carriage of this project on behalf of WA Health entities.

For the hospitals that haven't completed their assessments, they have not recorded a provision for remediation or impairment losses as they are unable to reliably estimate the extent of the obligation. However, the health service providers have been informed that by 30 June 2024, we would expect to see assessments completed and relevant provisions and possible impairments recorded in their financial statements, where relevant.

The Department of Health advised us that at 8 December 2023 the WA Health Cladding Audit and Replacement Program is still ongoing, with 92 of the 97 sites remediated and/or requiring no further action.

Case study 5: Department of Training and Workforce Development

The Department of Training and Workforce Development (DTWD) has taken the lead role in coordinating a review of its building portfolio, including those of the TAFEs, to identify any potential risk associated with aluminium combustible panel cladding and consulted with the TAFE colleges to determine the number of buildings that met the criteria.

Two buildings were identified as low risk and required further investigation. Subsequently, DTWD commissioned a fire safety engineer to assess the buildings and provide a performance solution report with recommendations for interim management strategies, which have been implemented, and long-term measures which are subject to the availability of funding.

DTWD has completed the final building assessments including investigations and testing and has estimated the financial impact of the remediation works which will be carried out on approval and receipt of funding. Remediation costs will be accounted for as capital works in progress in the Department's financial statements and on completion of the remediation works will be transferred out through equity as distributions to the relevant TAFEs who own these buildings.

Assurance reports on service organisation controls

Issue

As reported in the previous year, entities need to seek service organisation controls (SOC) type 2 reports for their cloud based applications. There are still challenges when some vendors cannot provide reports to entities as they do not undertake SOC audits. This means that entities do not have comfort over the vendor's operating environment where key business applications are hosted and maintained.

Where such SOC type 2 reports cannot be supplied it may require us to undertake additional and alternative audit procedures, to the extent even possible, in order to obtain the comfort required over the financial information emanating from the service organisations' systems. This may impact adversely on audit timelines and costs.

What we found

There still is a need for entities to continue to focus on the importance of obtaining SOC type 2 reports for their cloud based applications for the whole period under review.

While it is the responsibility of each entity using a service organisation to obtain the relevant SOC type 2 report, it would make sense when numerous government agencies are securing such services via the CUA, for example, that a relevant department or agency take the lead in coordinating the securing of the SOC type 2 reports annually and distributing them to all relevant user entities as applicable. A designated government lead negotiating on behalf of the State entities is likely to have more capacity to obtain the necessary reports and do so more efficiently than individual entities.

Recommendations

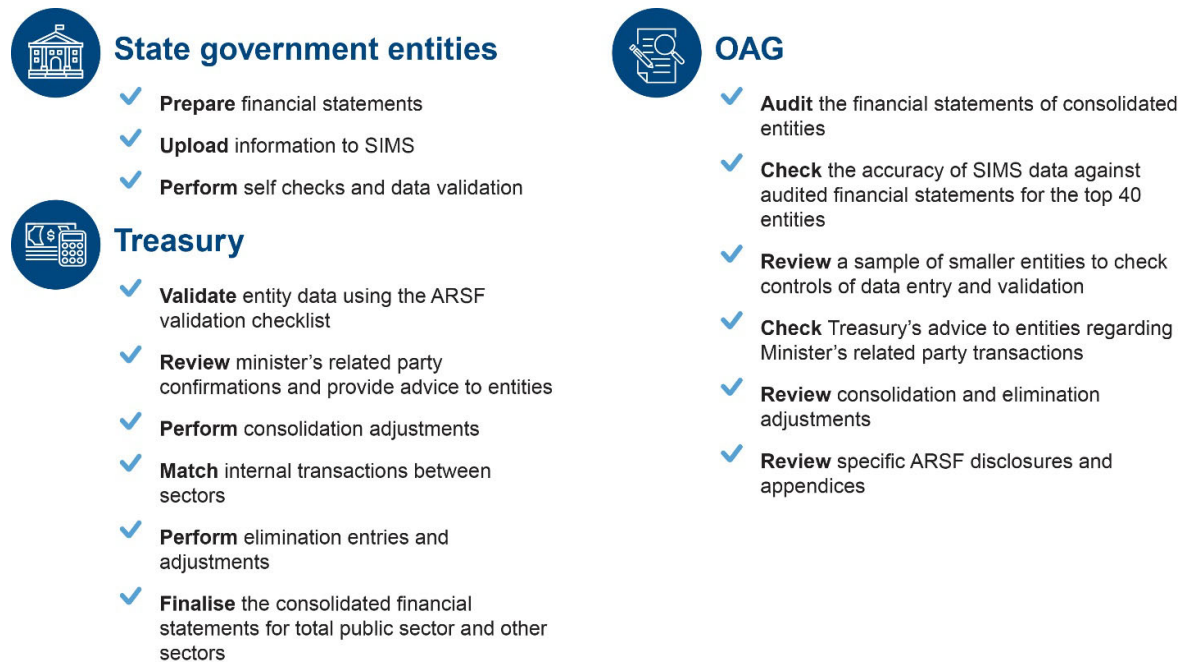
5. Entities should ensure that they implement robust accounting and authorisation controls over restricted funds to ensure that they are only used for their intended purposes, in line with legislation and other specific agreements.
6. Entities should ensure they are undertaking bank reconciliations appropriately, timely and subject to independent review.
7. Entities should use caution before making climate related disclosures, particularly in the financial statements. If some disclosure is determined to be included, entities need to ensure it is relevant, appropriate, evidenced based and auditable.
8. Entities should ensure they appropriately inform Landgate of any asset register movements, reconcile the Landgate valuation report to their asset register, and review and sense check for reasonableness valuations of land buildings provided by Landgate.
9. The Department of Treasury should provide timely communication and advice to entities to enable a smooth transition to the GTE legislative framework for 2023-24.
10. Entities should ensure they have completed building cladding remediation assessments, where relevant, in a timely manner and, if applicable, recognise the financial statement impact once it can be estimated reliably.
11. Entities should obtain SOC type 2 or equivalent assurance reports when they use software as a service (SaaS) cloud applications for key systems including payroll and finance. For other vendor provided cloud and managed service arrangements, entities also need adequate assurance that the vendor is following good practice and maintaining an effective control environment. These assurance reports should cover the whole financial reporting period.

Audit of the Annual Report of State Finances

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

The ARSF brings together key financial information for the three sectors of government¹¹ to report the consolidated results for these sectors, and the total public sector.

The process to prepare the ARSF is complex and requires entities to provide timely, good quality financial information to Treasury. Figure 11 highlights some of the steps and processes undertaken by the OAG and Treasury in preparing and auditing the ARSF.



Source: OAG

Figure 11: Process to prepare and audit the ARSF

Audit opinion

We issued a clear (unqualified) audit opinion on 27 September 2023, meeting the statutory reporting deadline of 90 days after the end of the financial year, being 28 September 2023. The clear audit opinion confirms for stakeholders the reliability of the whole-of-government financial statements. The Treasurer released the ARSF on 28 September 2023.

The audit opinion included an emphasis of matter paragraph drawing reader's attention to disclosures in the ARSF which noted that a \$28.0 billion claim against the State was discontinued in 2022-23.

As noted in other parts of this report, the achievement of this deadline was not without its challenges. High level of audit qualifications, a lack of audit readiness and delays in

¹¹ These comprise of the general government, public non-financial corporations and public financial corporations sectors.

submitting financial information to Treasury all had the potential to delay the finalisation of the ARSF.

Highlights include:

- The general government sector realised an operating surplus of \$5.1 billion, down slightly from the \$6.0 billion surplus from 2021-22; however, up significantly on the annual budget estimate of \$1.6 billion.
- Total public sector net debt at 30 June 2023 was \$27.4 billion and is \$1.8 billion lower than last year, representing the fourth year of declining net debt.
- Western Australia is now the only state or territory with a triple-A credit rating from both major international ratings agencies.

Further selected financial transactions of interest and financial ratios

This section of the report provides additional information on selected financial transactions included in entities' financial statements that may be of interest to Parliament. It also includes selected key financial ratios and information commonly used for assessing financial performance or analysing the financial health of entities. We report this information to provide insight to important issues considered during the audits.

Some of the information below may also be reported in each entity's annual report but we have summarised it here for the convenience of Parliament. The list is not exhaustive and by including these items in this report, we are not implying that we have residual audit-related concerns with these transactions.

Selected financial transactions of interest

Assets

- The **Annual Report on State Finances** reported that land and property, plant and equipment increased by \$19.2 billion for the total public sector. This largely reflects the upwards revaluation of infrastructure, property, plant and equipment (reflective of cost increases for materials, equipment and labour being experienced in the current environment) and major asset additions, some of which are discussed below.
- The **Board of the Art Gallery of Western Australia** reported a \$22.4 million increase in other financial assets. This was largely due to a gain in the fair value of shares held and the investment of a portion of the Art Gallery of Western Australia Foundation funds which were previously held as cash.
- **Commissioner of Main Roads** reported a significant increase to the infrastructure balance of \$6.4 billion. This was mainly due to a revaluation gain of \$5 billion (which largely reflects movements in current construction prices and indices) and an increase in work in progress for projects such as the Bunbury Outer Ring Road stage 2 and 3 \$338 million, Tonkin Gap (Collier – Stanton road) \$203 million and Mitchell Freeway Extension (Hester Avenue – Romeo Road \$111 million).
- **North Metropolitan Health Service** recorded a \$145.0 million increase in infrastructure, property, plant and equipment. This is largely due to:
 - the upwards revaluation of land and buildings (\$117.9 million)
 - additions associated with capital projects (\$33.4 million) including the refurbishment of C14 ward at Sir Charles Gardiner Hospital (\$14.7 million), the Good Manufacturing Practices Laboratories and Cyclotron project (\$9.8 million) and the women and newborns hospital relocation project (\$5.8 million)
 - the transfer of new modular ward building for Osborne Park Hospital (\$33.0 million) and other medical equipment (\$1.1 million) from Department of Health
 - other asset additions for buildings, medical equipment and lease improvements (\$28.6 million).

These increases were offset by depreciation for the year of \$66.6 million.

- Infrastructure, property, plant and equipment and vehicles for the **Public Transport Authority of Western Australia** increased by \$2.9 billion mainly due to increased

investment into the METRONET projects (\$1.5 billion) and an increase in asset value as a result of asset revaluation in 2022-23.

- **Department of Education** recorded a \$2 billion increase in property, plant and equipment. This reflects the upwards revaluation of land, land improvements and buildings, an increase in capital work-in-progress associated with ongoing additions and improvements to schools, and schools recently opened such as Landsdale Gardens Primary School and Dayton Primary School.
- **Pilbara Ports Authority** identified an error in the assumptions used to value the Bulk Liquids Berth Channel in 2021. The error resulted in an understatement of assets of \$49.7 million at 30 June 2022 and \$52.3 million at 30 June 2021. Management corrected the error in the 2022-23 financial statements by amending the 2020-21 and 2021-22 comparative figures. Our audit report included an emphasis of matter paragraph for this issue, refer to [Appendix 9](#).

Liabilities and contingent liabilities

- **Western Australian Treasury Corporation** recorded a \$2.8 billion reduction in borrowings in 2022-23 reflective principally of the receipt of borrowing repayments from entities during the year.
- Borrowings for **Housing Authority** decreased by \$1 billion (24.0%) from 2021-22 due to repayments of Western Australian Treasury Corporation loans throughout the period. The repayments were financed by redemptions received from Keystart arising from the reduction in mortgages as Keystart customers have been refinancing their mortgages with other banks at record high levels seeking better rates.
- Accrued long service leave liabilities for the **Construction Industry Long Service Leave Payments Board** increased by \$65.5 million in total from the prior year. This was mainly due to higher rates of pay, increased participation rate and future pay rate inflation. This was partially off-set by an increase in the discount rate.
- **Department of Mines, Industry Regulation and Safety** recorded a \$51.3 million increase in administered other current liabilities mainly due to an increase in residential tenancy bonds received (\$30.1 million) and additional liabilities associated with the home indemnity insurance scheme (\$17.7 million) following an increase in the number of claims lodged for incomplete or defective builds in addition to the Government's decision to double the claimable threshold.
- Contingent liability disclosures for the **Department of Jobs, Tourism, Science and Innovation** and **Annual Report on State Finances** noted that a \$28 billion claim against the State was discontinued in 2022-23. Given the significance of these disclosures, we included an emphasis of matter paragraph in the audit reports for these financial statements. For further information, refer to [Appendix 9](#).
- **Disability Services Commission's** financial statements include a \$62.8 million liability due to the National Disability Insurance Agency (NDIA) relating to an unpaid portion of Western Australia's contribution to the National Disability Insurance Scheme (NDIS) billings for the 2020-21 period. The Commission made payment based on the actual number of participants rather than the estimated number of participants used by the NDIA resulting in the \$62.8 million outstanding balance. Discussions which commenced in 2021 are underway between the State Government, the Commonwealth Government and the NDIA to resolve the matter.

It is further noted that the transitional bilateral agreement for the transition of the NDIS in WA between the Commonwealth and the WA Government which commenced in

December 2017 expired on 30 June 2023. Discussions are currently ongoing between the governments for a new agreement.

- **Gold Corporation's** financial statements include contingent liability disclosures regarding AUSTRAC appointing an external auditor to assess the Gold Corporation's compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1)*. AUSTRAC were still in the process of reviewing the initial and final audit reports and determining their next steps, and our report included an emphasis of matter paragraph to draw attention to this item, refer to [Appendix 9](#). Subsequently on 23 November 2023, AUSTRAC announced that Gold Corporation had entered an enforceable undertaking (EU) which requires that Gold Corporation commits sufficient resources to adequately implement its remediation program promptly or risk further enforcement action. No fine has been imposed as part of the EU.
- The dispute between the State and John Holland regarding the construction of the Perth Children's Hospital was settled during the financial year. Consequently, this matter is no longer disclosed as a contingent liability in the **Department of Finance's** financial statements.

Expenditure

- **Disability Services Commission's** expense for services increased by \$158.5 million to \$1.2 billion in 2022-23 due to an increase in the number of participants in the National Disability Insurance Scheme as well as an increase in the dollar rate charged for each participant. The increased costs were funded through additional appropriations from Treasury.
- Fuel, networks and other direct costs for **Electricity Generation and Retail Corporation (Synergy)** increased by \$966.0 million. This increase was driven by:
 - the recognition of an additional provision for onerous contracts of \$773.7 million. Further information on these onerous contracts is included in [Case study 2](#).
 - higher gas costs as a result of increased gas generation output and prices which contributed to the overall increase to fuel, networks and other direct costs.
- **Department of Communities** funding for services increased by \$156.6 million to \$488.7 million due to increased cost of providing child protection services including individually funded care arrangements, increased foster care arrangements, increased care arrangement for children under the CEO's care, specialised fostering and disability placements, transitional high needs, and increased cost pressures resulting from the current economic environment.
- **Department of Jobs, Tourism, Science and Innovation's** grants and subsidies increased by \$124.4 million due to an increased level of industry support programs including:
 - Investment Attraction Fund and Native Forestry Transition (\$39.8 million)
 - Resource and Project Facilitation Grants (\$11 million)
 - Industry, Science and Innovation Grants (excluding Native Forestry) (\$6.7 million)
 - payments to incentivise international students to study in WA through accommodation grants and bursaries (\$19.5 million)
 - Edith Cowan University's inner city campus relocation (\$15 million)

- in addition, funding provided by the Department to Tourism WA for events, marketing and destination development programs increased by \$44 million, which was mostly an increase for new and existing programs.
- As reported in the **Annual Report on State Finances**¹², salaries expenses for **WA Health** increased by \$631.0 million (11.2%). This increase is due to additional medical and nursing staff to meet clinical needs as well as negotiated salary increases and the one-off cost of living payment (the latter aspects being applicable across the public sector).
- **Department of Fire and Emergency Services** incurred additional supplies and services expenses in 2022-23 of \$25.0 million due to costs associated with Cyclone Ellie (from 28 December 2022 – 7 February 2023) and the related Kimberley Floods. These events led to noticeable increases in aircraft hire, transport costs, intrastate travel costs and heavy machinery hire. General cost escalation, implementation of new approved initiatives and various system upgrades also contributed significantly to cost increases.

Revenue

- Improved domestic and international financial market conditions, especially for equities, impacted revenue for several entities. In particular:
 - **Government Employees Superannuation Board** recorded an increase in the fair value of investment assets of \$1.9 billion. This is a \$4.6 billion turnaround from the loss recorded in 2021-22.
 - **Insurance Commission of Western Australia** disclosed a \$743.0 million increase in investment income
 - **Construction Industry Long Service Leave Payments Board** recorded \$52.3 million in investment income in 2022-23 due to strong domestic and international markets. This is compared to a \$45.2 million investment loss in 2021-22.
 - The **Fire and Emergency Services Superannuation Board** disclosed a \$36.3 million gain in the net remeasurement changes in fair value of assets compared to the \$75.3 million loss in the prior year.
- **Department of Treasury** recorded an increase in administered Commonwealth Grant Revenue of \$1.6 billion: This mainly relates to higher GST revenue, transport infrastructure and North West Shelf royalties, as well as the receipt of a \$209.2 million Social Housing Accelerator Payment in 2022-23.
- Mining tenement rentals for the **Department of Mines, Industry Regulation and Safety** were \$27.0 million lower than the prior year due to decreasing application rents after record highs reported in previous years. This has been partially offset by increasing annual rentals that continue to reflect historically strong sales in the resources sector.
- **Western Australian Museum** recorded an increase in user charges and fees of \$3.4 million due to the introduction of admission fees (following the initial post opening free admission period) for the WA Museum Boola Bardip and increased exhibition ticketing revenue.

¹² Department of Treasury, [Annual Report on State Finances](#), WA.gov.au website, 28 September 2023, Table 8.1, Salaries Costs General Government Sector (p. p248).

Post COVID-19 impacts of interest

- The **Department of Education** received Rapid Antigen Test (RAT) kits valued at \$70.2 million free of charge to distribute to critical workers and parents or carers of students of public and non-government schools as part of the State Government's response to COVID-19. The Department has also commenced a program to optimise ventilation in schools to reduce the impact of COVID-19 in line with national and international guidelines.
- The **Department of Local Government, Sport and Cultural Industries** is continuing to deliver a number of initiatives to support Western Australian culture, arts and events industries as they recover from the impacts of COVID-19. These include:
 - Getting the Show Back on the Road (\$4.7 million paid in 2022-23)
 - Event Suppliers Support Program (\$3.7 million paid in 2022-23)
 - Nightclub Assistance Program (\$0.7 million paid in 2022-23)
 - Performing Arts, Theatres and Cinemas Assistance Program (\$1.2 million paid in 2022-23)
 - Refund of Liquor Licence and Occasional Liquor Licence fees: (\$0.3 million refunded in 2022-23).
- **Department of Health** disclosed the following significant transactions arising from COVID-19:
 - a decrease in supplies and services expenses of \$308.7 million largely due to the closure of the hotel quarantine program. In addition, \$9.1 million of debt associated with the hotel quarantine program was written off or waived in the current year
 - a reduction of Commonwealth grants and contributions of \$557.1 million. Commonwealth grants and contributions decreased due to a reduction in COVID-19 funding from the Commonwealth in line with the National Partnership Agreement.
- Event operations expenses for the **Western Australian Tourism Commission** increased by \$17.5 million which largely reflects an increase in Government's investment in major and blockbuster events.
- Other expenses for **Health Support Services** increased from \$161.1 million to \$420.3 million due to the distribution of RATs (\$254.7 million) and the write down of inventory (\$103.4 million). Inventory write downs included both expired stock and loss of service potential due to an excess of stock on hand.
- **Lotteries Commission** grants refunds and write-backs increased by \$9.8 million due to the reinstatement of the overdue drawdown and acquittal procedures not enforced in 2021 and 2022 due to COVID-19.
- **Western Australian Sports Centre Trust (VenuesWest)** disclosed a \$39.0 million increase in the sale of goods and services due to a greater number of events held in 2022-23 compared to 2021-22 (which was still impacted by COVID-19 restrictions). Major events held in 2022-23 include:
 - Optus Stadium: Ed Sheeran, Red Hot Chilli Peppers, Guns n Roses, Wallabies vs England, Manchester United vs Aston Villa, Crystal Palace vs Leeds

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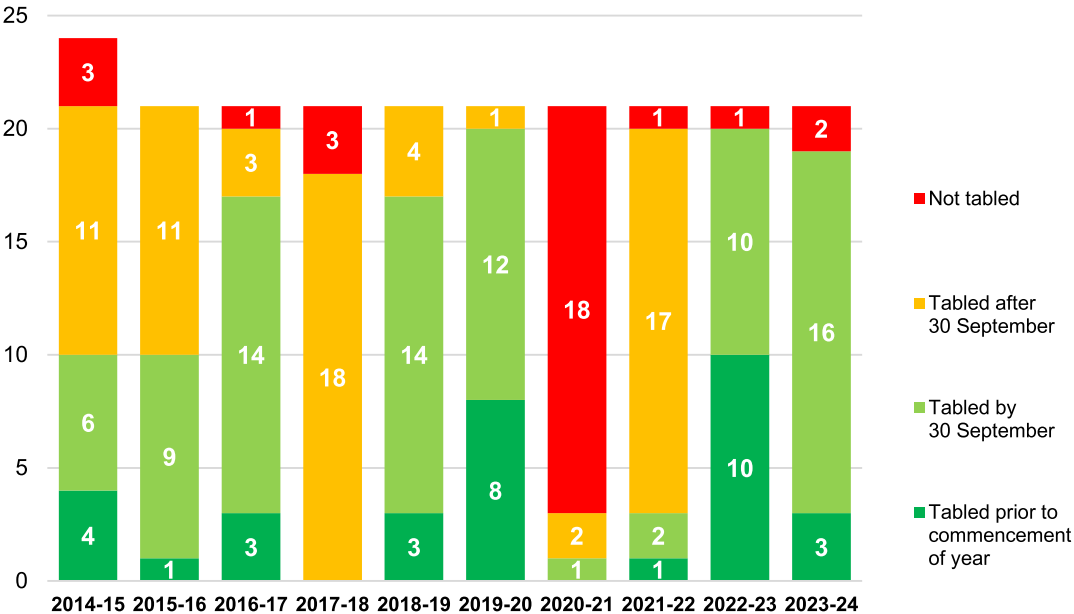
- RAC Arena: UFC 284, KISS, Hilltop Hoods, Midnight Oil, Billie Eilish, Dua Lipa, Kings of Leon, Kendrick Lamar, Rod Stewart, Michael Bublé, Snoop Dog, Florence and the Machine
- HBF Park: Harry Styles
- HBF Stadium: Urzila Carlson, 5 Seconds of Summer, The OffSpring, Pentatonix, Liam Gallagher
- Champion Lakes Regatta Centre: Australian Rowing Championship, Australian National Sprint Canoe Championships
- WA Athletics Stadium (and other venues): World Transplant Games.

Appendix 1: Tabling of 2023-24 Statements of Corporate Intent

Entities are required by their Act or regulations to draft the annual Statements of Corporate Intent (SCI), which is consistent with their strategic development plan, for agreement with their minister. Tabling requirements vary slightly between entities but generally SCIs are either required or expected to be tabled before the commencement of the financial year or early in the financial year to which they relate. The agreement process can include negotiations between the entity, the minister and the Treasurer, with the minister responsible for tabling the SCI in Parliament within 14 days of it being agreed.

Three entities tabled their SCIs prior to the start of the 2023-24 financial year, compared to 10 entities for the 2022-23 financial year. A further 16 entities tabled their SCI by 30 September 2023, compared to 10 entities in 2022-23. Two entities did not table their SCI; Western Australian Land Authority (Landcorp) and Racing and Wagering Western Australia.

Going forward, the requirements in relation to SCIs will be changed under the GTE reform where the GTEs will be included as part of the WA budget process.



Source: OAG

Appendix 2: Borrowings to asset ratio

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

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

Entity	2018-19	2019-20	2020-21	2021-22	2022-23	Trendline
Corporatised entities						
Bunbury Water Corporation	0.2%	6%	5%	4%	3%	
Busselton Water Corporation	1%	0%	0%	0%	^	
Fremantle Port Authority	31%	29%	27%	23%	20%	
Hedland Maritime Initiative Pty Ltd (Subsidiary of Pilbara Ports Authority)	0%	0%	0%	0%	32%	
Horizon Power (Regional Power Corporation)	39%	38%	41%	40%	0%	
Kimberley Ports Authority	16%	15%	13%	9%	7%	
Mid-West Ports Authority	6%	5%	4%	3%	2%	
Pilbara Ports Authority	5%	4%	3%	4%	3%	
Southern Ports Authority	7%	4%	3%	2%	1%	
Synergy (Electricity Generation and Retail Corporation)	2%	11%	11%	11%	8%	
Water Corporation	35%	33%	32%	30%	26%	
Western Australian Land Authority	19%	18%	15%	9%	6%	
Western Power (Electricity Networks Corporation)	65%	64%	63%	59%	57%	
Statutory authorities						
Commissioner of Main Roads	0%	0%	0%	0%	0.20%	
Country Housing Authority	51%	42%	31%	20%	7%	
Gold Corporation	26%	24%	11%	21%	23%	
Housing Authority	29%	32%	31%	25%	19%	
Keystart Housing Scheme Trust	0%	0%	0%	0%	88%	
Metropolitan Redevelopment Authority	47%	59%	0%	0%	0%	
Public Transport Authority of Western Australia	24%	23%	25%	26%	23%	
South Metropolitan Health Service	4%	0%	0%	0%	0%	
Western Australian Sports Centre Trust	18%	17%	16%	14%	0%	
Western Australian Treasury Corporation	97%	94%	95%	98%	96%	
Departments						
Department of Education	4%	2%	2%	2%	2%	
Department of Finance	4%	2%	2%	2%	2%	
Department of Fire and Emergency Services	7%	7%	6%	5%	4%	
Department of Justice	15%	0%	0%	0%	0%	
Department of Primary Industries and Regional Development	3%	2%	0%	1%	1%	

Source: OAG based on audited financial statements in tabled annual reports

^ The audit was not finalised at 10 November.

Appendix 3: Dividends paid by public corporations to general government

Dividends paid by public corporations contributed \$145 million in 2022-23 to the general government sector financial results compared to \$612 million in 2021-22 and \$1.3 billion in 2020-21.

Dividends paid in 2022-23 largely reflect the State Government's decision (announced in the Mid-Year Review) for GTEs to retain funds for future infrastructure investment. This is consistent with decisions made in 2021-22.

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

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

Dividends paid during a financial year generally include an interim dividend for that year and the final dividend from the preceding financial year. Therefore, dividends paid during a financial year do not wholly relate to the trading surplus of that year.

Entity	2019-20		2020-21		2021-22		2022-23	
	Dividends paid (\$ m)	Surplus /deficit (\$ m)	Dividends paid (\$ m)	Surplus /deficit (\$ m)	Dividends paid (\$ m)	Surplus /deficit (\$ m)	Dividends paid (\$ m)	Surplus /deficit (\$ m)
Bunbury Water Corporation	2.6	2.5	2.1	1.4	0	1.9	0	1.3
Busselton Water Corporation	1	0.9	0.7	2.6	0	2.9	^	^
Forest Products Commission	0	-2.6	0	-7.9	0	-30.8	0	26.9
Fremantle Port Authority	12.8	46.2	34.7	54.5	0	47.5	0	46.6
Gold Corporation *	6	31.3 *	23.5	28.2*	0	28.2	0	36.8
Horizon Power	2.4	8.9	6.7	17	0	10.4	0	7.1
Insurance Commission of Western Australia	207.5	-2.9	0	1,127.60	572.1	63.6	63.5	509.4
Kimberley Ports Authority	0	-6.8	0	-3.8	0	2.6	0	0.2
Mid West Ports Authority	4.1	11.8	0	16.3	0	24.9	0	25.2
Pilbara Ports Authority	31.7	131.7	111.9	160	0	186.6	0	241.4

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Entity	2019-20		2020-21		2021-22		2022-23	
	Dividends paid (\$ m)	Surplus /deficit (\$ m)	Dividends paid (\$ m)	Surplus /deficit (\$ m)	Dividends paid (\$ m)	Surplus /deficit (\$ m)	Dividends paid (\$ m)	Surplus /deficit (\$ m)
Southern Ports Authority	6.4	39	39	45.4	0	37.7	0	61.4
Synergy	2.8	-26.7	0	-260.8	0	-423.5	0	-732.7
Water Corporation # +	4	809 ⁺	642	842 [*]	0	876	0	946
Western Australian Land Authority	8.4	2.3	168.6	17.7	23.4	84.9	2.5	72.7
Western Australian Treasury Corporation	21.9	28.5	21.4	22.2	16.7	17.5	0	26.3
Western Power #	80	391	300	391	0	400	78.9	261
Total dividends paid	391.6		1,350.60		612.20		144.9	

Source: OAG based on audited financial statements in tabled annual reports

* *Owner of Gold Corporation surpluses – excludes surplus attributable to non-controlling interests.*

Financial reports present whole numbers only.

+ *Reflects the re-statement of IT SaaS adjustment.*

^ *Outstanding audit at 10 November 2023.*









Appendix 4: Status and timeliness of audits

Audit opinions issued to 122 entities between 30 June 2023 and 10 November 2023 are listed below.


















The entities primarily had reporting dates of 30 June or 31 July 2023. The audit opinion is issued to the responsible minister for each entity and is printed in full in the entity's annual report. The annual report is tabled in Parliament by the minister and normally posted on the entity's website.

The table lists each entity audited in alphabetical order (without the preceding The in their statutory names), as well as the type of opinion they received, when the opinion was issued and their audit readiness (the timeliness of providing their financial statements to us for audit).

Key

Type of audit opinion		Audit readiness	
Clear		On or before 20 days after reporting period	
Clear opinion with emphasis of matter or matter of significance paragraph		Between 20 and 38 days after reporting period	
Material uncertainty related to going concern		More than 38 days after reporting period	
Qualified opinion			
Adverse opinion			

Ratings are not reported for the ARSF, subsidiaries, request audits, cemetery boards, final audits of abolished entities and deferred audits. These are marked as N/A in the audit readiness column.

Entity	Type of opinion	Opinion issued	Audit readiness
1. Aboriginal Affairs Planning Authority, The		13/09/2023	
2. Agricultural Produce Commission		08/09/2023	
3. Animal Resources Authority	Audit in progress		N/A
4. Annual Report on State Finances		27/09/2023	N/A
5. Art Gallery of Western Australia, The Board of the		20/09/2023	
6. Arts and Culture Trust		11/09/2023	
7. Botanic Gardens and Parks Authority		07/09/2023	
8. Building and Construction Industry Training Board		12/09/2023	
9. Bunbury Water Corporation		18/09/2023	
10. Burswood Park Board, The		24/08/2023	
11. Busselton Water Corporation	Audit in progress		N/A

















































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Entity		Type of opinion	Opinion issued	Audit readiness
12.	Chemistry Centre (WA)	✓	23/08/2023	🕒
13.	Child and Adolescent Health Services	✓	08/09/2023	🕒
14.	Coal Miner's Welfare Board of Western Australia, The	✓	14/09/2023	🕒
15.	Combat Sports Commission	✓	04/09/2023	🕒
16.	Commissioner for Children and Young People, Administration of the Office of	✓	24/08/2023	🕒
17.	Commissioner of Main Roads	✓	31/08/2023	🕒
18.	Construction Industry Long Service Leave Payments Board	✓	25/08/2023	🕒
19.	Corruption and Crime Commission	✗	13/10/2023	🕒
20.	Country Housing Authority	✓	30/08/2023	🕒
21.	Department of Biodiversity, Conservation and Attractions	✗	15/09/2023	🕒
22.	Department of Communities	✗	17/09/2023	🕒
23.	Department of Education	✓	31/08/2023	🕒
24.	Department of Finance	✓	28/08/2023	🕒
25.	Department of Fire and Emergency Services	✓	22/08/2023	🕒
26.	Department of Health	✗	15/09/2023	🕒
27.	Department of Jobs, Tourism, Science and Innovation	✓	31/08/2023	🕒
28.	Department of Justice	✗	13/09/2023	🕒
29.	Department of Local Government, Sport and Cultural Industries	✗	18/09/2023	🕒
30.	Department of Mines, Industry Regulation and Safety	✓	07/09/2023	🕒
31.	Department of Planning, Lands and Heritage	✗	18/09/2023	🕒
32.	Department of Primary Industries and Regional Development	✗	07/11/2023	🕒
33.	Department of the Legislative Assembly	✓	24/08/2023	🕒
34.	Department of the Legislative Council	✓	24/08/2023	🕒
35.	Department of the Premier and Cabinet	✓	08/09/2023	🕒













































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Entity		Type of opinion	Opinion issued	Audit readiness
36.	Department of Training and Workforce Development		30/08/2023	
37.	Department of Transport		18/09/2023	
38.	Department of Treasury		15/09/2023	
39.	Department of Water and Environmental Regulation		13/10/2023	
40.	Disability Services Commission		17/09/2023	
41.	East Metropolitan Health Service		15/09/2023	
42.	Economic Regulation Authority		24/08/2023	
	Edith Cowan University Subsidiaries:			
43.	Australian Pathway Education Group Pty Ltd	Audit in progress		N/A
44.	ECU Holdings Pty Ltd	Audit in progress		N/A
45.	Edith Cowan Accommodation Holdings Pty Ltd	Audit in progress		N/A
46.	Electricity Generation and Retail Corporation (Synergy) Subsidiaries:		06/09/2023	
47.	South West Solar Development Holdings Pty Ltd (Synergy)		26/09/2023	N/A
48.	Synergy Renewable Energy Development (RED) Pty Ltd		26/09/2023	N/A
49.	Fire and Emergency Services Superannuation Board		20/09/2023	
50.	Forest Products Commission		12/09/2023	
51.	Fremantle Port Authority		31/08/2023	
52.	Gaming and Wagering Commission of Western Australia		29/09/2023	
53.	Gold Corporation		13/09/2023	
54.	Government Employees Superannuation Board		07/09/2023	
55.	Governor's Establishment		13/09/2023	
56.	Health and Disabilities Services Complaints Office		04/08/2023	
57.	Health Support Services (HSS)		23/08/2023	
58.	Heritage Council of Western Australia		07/09/2023	
59.	Horizon Power - Regional		12/09/2023	

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Entity		Type of opinion	Opinion issued	Audit readiness
60.	Housing Authority Subsidiaries:		13/10/2023	
61.	Goldmaster Enterprises Pty Ltd	Audit in progress		N/A
62.	Keystart Housing Scheme Trust		13/09/2023	
63.	Keystart Loans Ltd		13/09/2023	
64.	Infrastructure WA		28/08/2023	
65.	Insurance Commission of Western Australia		14/09/2023	
66.	Keep Australia Beautiful Council (W.A.)		05/10/2023	
67.	Kimberley Ports Authority		12/09/2023	
68.	Law Reform Commission of Western Australia		12/09/2023	
69.	Legal Aid Commission of Western Australia		04/09/2023	
70.	Legal Costs Committee		12/09/2023	
71.	Library Board of Western Australia, The		07/09/2023	
72.	Local Health Authorities Analytical Committee		11/09/2023	
73.	Lotteries Commission		31/08/2023	
74.	Mental Health Commission		31/08/2023	
75.	Metropolitan Cemeteries Board		30/08/2023	
76.	Metropolitan Redevelopment Authority		31/08/2023	
77.	Mid West Ports Authority		29/08/2023	
78.	Minerals Research Institute of Western Australia		15/08/2023	
79.	National Trust of Australia (W.A.), The		31/08/2023	
80.	North Metropolitan Health Service		21/09/2023	
81.	Office of the Director of Public Prosecutions		14/08/2023	
82.	Office of the Information Commissioner		09/10/2023	
83.	Office of the Inspector of Custodial Services		19/09/2023	
84.	Parliamentary Commissioner for Administrative Investigations		18/08/2023	

(Appendix AAR: 8.1C)



Entity		Type of opinion	Opinion issued	Audit readiness
85.	Parliamentary Inspector of the Corruption and Crime Commission		18/08/2023	
86.	Parliamentary Services Department		24/08/2023	
87.	PathWest Laboratory Medicine WA		20/09/2023	
88.	Pilbara Ports Authority Subsidiary:		06/09/2023	
89.	Hedland Maritime Initiative Pty Ltd		28/09/2023	N/A
90.	Police Service, Western Australia		20/09/2023	
91.	Professional Standards Council	Audit in progress		N/A
92.	Public Education Endowment, Trustees of the		04/09/2023	
93.	Public Sector Commission		24/08/2023	
94.	Public Transport Authority of Western Australia		12/09/2023	
95.	Public Trustee	Audit in progress		N/A
96.	Quadriplegic Centre		08/08/2023	
97.	Queen Elizabeth II Medical Centre Trust, The		06/09/2023	
98.	Queen Elizabeth II Medical Centre Trust, The Delegate to the (Req audit 2015)		06/09/2023	N/A
99.	Racing and Wagering Western Australia		16/10/2023	
100.	Racing Penalties Appeal Tribunal of Western Australia		07/09/2023	
101.	Rottneest Island Authority		15/09/2023	
102.	Rural Business Development Corporation		22/08/2023	
103.	School Curriculum and Standards Authority		18/09/2023	
104.	Small Business Development Corporation		24/08/2023	
105.	South Metropolitan Health Service		14/09/2023	
106.	Southern Ports Authority		04/09/2023	
107.	State Solicitor's Office		11/09/2023	
108.	Swan Bells Foundation Inc		15/09/2023	
109.	WA Country Health Services		13/09/2023	

(Appendix AAR: 8.1C)

Entity		Type of opinion	Opinion issued	Audit readiness
110.	Water Corporation Subsidiary:	✓	04/09/2023	
111.	Flat Rocks Wind Farm Stage 2 Pty Ltd	✓	29/09/2023	N/A
112.	Western Australian Coastal Shipping Commission	✓	11/09/2023	
113.	Western Australian Electoral Commission	✓	04/09/2023	
114.	Western Australian Energy Disputes Arbitrator	✓	08/09/2023	
115.	Western Australian Greyhound Racing Association	✓	27/10/2023	
116.	Western Australian Health Promotion Foundation	✓	22/08/2023	
117.	Western Australian Industrial Relations Commission, Department of the Registrar,	✓	25/08/2023	
118.	Western Australian Land Authority (Development WA) [previously known as Landcorp]	✓	31/08/2023	
119.	Western Australian Land Information Authority (Landgate WA)	✓	11/10/2023	
120.	Western Australian Meat Industry Authority	✓	05/09/2023	
121.	Western Australian Museum, The	✓	23/08/2023	
122.	Western Australian Planning Commission	✗	18/09/2023	
123.	Western Australian Sports Centre Trust (VenuesWest)	✓	15/09/2023	
124.	Western Australian Tourism Commission	✓	31/08/2023	
125.	Western Australian Treasury Corporation	✓	25/08/2023	
126.	Western Power - Electricity Networks Corp	✓	04/09/2023	
127.	WorkCover Western Australia Authority	✓	30/08/2023	
128.	Zoological Parks Authority	✓	07/09/2023	

Source: OAG

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

129.	Tertiary Institutions Service Centre		10/11/2023
130.	University of Western Australia Subsidiary: Perth International Arts Festival Ltd		02/10/2023

Source: OAG

Appendix 5: Outstanding audits at 10 November 2023

Entity	Balance date	Reason for delay
Animal Resources Authority	30 June 2023	As the entity has been wound up the audit was deferred to allow for the completion of the audits which are material for the ARSF. The completion audit is presently in progress.
Australian Pathway Education Group Pty Ltd	30 June 2023	There is no statutory deadline for audited financial statements for this entity. As part of our early planning for the season, we deferred these audits to focus our limited resources on the large entities that are material to the ARSF.
Busselton Water Corporation	30 June 2023	The late receipt of independent valuation reports meant that the Corporation was unable to finalise their financial statements within the agreed timeframes. In addition, there were delays caused by our office in finalising the audit after the financial statements were received.
ECU Holdings Pty Ltd	30 June 2023	There is no statutory deadline for audited financial statements for this entity. As part of our early planning for the season, we deferred these audits to focus our limited resources on the large entities that are material to the ARSF.
Edith Cowan University Accommodation Holdings Pty Ltd	30 June 2023	There is no statutory deadline for audited financial statements for this entity. As part of our early planning for the season, we deferred these audits to focus our limited resources on the large entities that are material to the ARSF.
Goldmaster Enterprises Pty Ltd	30 June 2023	We have completed the audit of Goldmaster. The financial statements have not been signed as the Housing Authority is still to appoint another director to enable a quorum which will facilitate the directors to pass the required resolution. This has consequently delayed issue of our audit opinion.
Professional Standards Council	30 June 2023	As part of our early planning for the season, we deferred this audit to focus our limited resources on the large entities that are material to the ARSF. While conducting the audit, we have observed that the Council's KPIs have not been revised in alignment with the strategic plan introduced in June 2022. Consequently, we needed additional time to assess the implications for the audit opinion.
Public Trustee	30 June 2023	The Public Trustee has requested advice in relation to matters pertaining to interpretation of the <i>Public Trustee Act 1941 (WA)</i> . These matters are considered critical for the 2022-23 financial audit. The advice is pending at the time of this report. We expect to finalise the audit in December 2023.

Source: OAG

(Appendix AAR: 8.1C)

Entity	Balance date	Reason for delay
Albany Cemetery Board	30 June 2023	There is no statutory deadline for the boards to submit their financial statements for years ending on 30 June. Cemetery boards are audited under the <i>Cemeteries Act 1986</i> and usually completed early the following calendar year.
Bunbury Cemetery Board	30 June 2023	
Chowerup Cemetery Board	30 June 2023	
Dwellingup Cemetery Board	30 June 2023	
Geraldton Cemetery Board	30 June 2023	
Kalgoorlie – Boulder Cemetery Board	30 June 2023	

Source: OAG

Appendix 6: Qualified opinions

Entity		Details of qualification
1.	Building and Construction Industry Training Board	<p>Qualified opinion on controls</p> <p>Expenditure</p> <p>Significant control deficiencies within the procure to pay process specifically on the implementation of appropriate segregation of duties and purchase order processes were identified. These weaknesses could result in inaccurate financial information as errors and/or fraud may not be detected. Consequently, controls to prevent invalid and inaccurate payments were inadequate throughout 2022-23.</p>
2	Corruption and Crime Commission	<p>Qualified opinion on controls</p> <p>Payroll</p> <p>The payroll controls designed and implemented by the Commission had significant deficiencies. These weaknesses could be used to override management controls and could result in inappropriate changes or fictitious or fraudulent transactions such as overpayments and payments to individuals who are not entitled to receive them. Consequently, controls to prevent invalid or inaccurate salary payments were inadequate throughout the period.</p>
		<p>Qualified opinion on controls</p> <p>Managing finance system access</p> <p>There were significant weaknesses in the management of user access to the finance system. These weaknesses could be used to override other controls, and consequently, result in unauthorised access, incorrect or fraudulent transactions (including payments).</p>
3	Department of Biodiversity, Conservation and Attractions	<p>Qualified opinion on controls</p> <p>Procurement</p> <p>Significant weaknesses in the procurement controls designed and implemented by the Department, specifically in the use of purchase orders, authorisation limits of expenditure, use of procurement contracts and potential splitting of invoices for payment were identified. The combined weaknesses increase the risk of erroneous or fraudulent payments and ordering of inappropriate or unnecessary goods or services.</p>
4	Department of Communities	<p>Qualified opinion on controls</p> <p>Cash management</p> <p>Significant weaknesses in the cash management controls as designed and implemented were identified. This resulted in restricted funds received from the Disability Services Commission and the Housing Authority, intended to fund the provision of staff resources to both the Disability Services Commission and the Housing Authority, being consumed by the Department for its own operational purposes. As a result of the above, the Department has breached the legislative provisions of section 18(2) of the <i>Financial Management Act 2006</i>.</p>
		<p>Qualified opinion on controls</p> <p>Payroll</p> <p>Significant weaknesses in the payroll controls as implemented were identified. These weaknesses could result in salary errors such as overpayments or payments to individuals who are not entitled to receive payments. Consequently, controls to prevent invalid and inaccurate payroll payments were inadequate.</p>

Entity		Details of qualification
5	Department of Health	<p>Qualified opinion on controls</p> <p>Network security controls</p> <p>Significant weaknesses in network security controls and controls over unauthorised connection of devices at the Department were identified. These weaknesses could compromise the confidentiality, integrity and availability of key systems and information. These weaknesses also exposed the WA Health network to increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.</p>
6	Department of Justice	<p>Qualified opinion on controls</p> <p>Payroll</p> <p>Significant weaknesses in the design and implementation of payroll controls by the Department to prevent invalid and inaccurate payroll payments were identified. Consequently, the weaknesses could result in errors such as overpayments and payments to individuals who are not entitled to receive payment.</p>
7	Department of Local Government, Sport and Cultural Industries	<p>Qualified opinion on financial statements</p> <p>Taxation – Casino Tax</p> <p>We were unable to obtain sufficient and appropriate audit evidence for Taxation – Casino Tax, as adequate internal controls have not been established to ensure all administered casino tax revenue of \$56.2 million (2022: \$49.225 million) were accurately accounted for. We could not confirm Taxation – Casino Tax by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to Administered Schedule – Income from administered items and related disclosures in the financial statements.</p> <p>Qualified opinion on controls</p> <p>Revenue</p> <p>Significant weaknesses in the design and implementation of controls over the completeness and accuracy of revenue, specific to the administered revenue, Taxation – Casino Tax were identified. Consequently, the Department does not have adequate controls and procedures in place to ensure that all Taxation – Casino Tax due and entitled to be collected on behalf of the State has been received throughout 2022-23.</p> <p>Qualified opinion on controls</p> <p>Payroll</p> <p>Significant weaknesses in the payroll system, processes and leave management controls as designed and implemented by the Department were identified. These weaknesses could increase the risk of salary errors such as overpayments, payments to individuals who are not entitled to receive payment and overstated leave balances or fraudulent payments. Consequently, controls to prevent invalid and inaccurate payroll payments were inadequate throughout 2022-23.</p> <p>Qualified opinion on controls</p> <p>Grants and subsidies</p> <p>Significant weaknesses in the design and implementation of controls over grants and subsidies expenditure were identified. These weaknesses resulted in inconsistent grant administration that increase the risk of error in the expenditure of moneys in accordance with legislative provisions or fraudulent payments. Consequently, controls</p>

Entity	Details of qualification
	<p>to prevent invalid and inaccurate grant payments were inadequate throughout 2022-23.</p> <p>Qualified opinion on controls Special purpose account payments Significant weaknesses in the design and implementation of controls over the approval of payments from the Sunset Heritage Trust special purpose account were identified. Payments continued to be made resulting in this account being overdrawn without the prior approval of the Treasurer as required by the <i>Financial Management Act 2006</i>. Consequently, controls to ensure that payments made from this special purpose account are appropriately approved in line with legislative requirements were inadequate throughout 2022-23.</p>
8	<p>Department of Planning, Lands and Heritage</p> <p>Qualified opinion on financial statements Other revenue – Administered Income and Expenses Schedule Within the Administered Income and Expenses Schedule for the year ended 30 June 2022 is an unreconciled movement in land of \$259.568 million disclosed as other income. Management were unable to reconcile this amount in order to determine the appropriate recognition and classification for the year ended June 2022. We were unable to confirm other income by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to other income stated as \$259.568 million in the Administered Income and Expenses Schedule. Our opinion on the current period's financial statements is modified because of the possible effect of this matter in the comparability of the current period's figures and the corresponding figures.</p> <p>Qualified opinion on financial statements Land at fair value – Administered Assets and Liabilities Schedule Within the Administered Assets and Liabilities Schedule as at 30 June 2023, management were unable to substantiate the existence of all administered land. This was due to inadequate controls over administered land, as some land was subject to a Management Order and therefore should not be recognised. We were unable to confirm administered land by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to administered land stated as \$2.950 billion (2022: \$2.747 billion) in the Administered Assets and Liabilities Schedule.</p> <p>Qualified opinion on controls Implementation of controls over acquisition and disposal of administered land We identified significant weaknesses in the implementation of controls over the annual reconciliation of administered land as well as the recording of acquisitions and disposals of administered land. These weaknesses could result in inaccuracies in the administered land records and thereby in administered financial information as errors and/or fraud may not be detected.</p>
9	<p>Department of Primary Industries and Regional Development</p> <p>Adverse opinion on controls The Department's controls over receipt, expenditure and the investment of money, the acquisition and disposal of property and the incurring of liabilities were not designed and implemented appropriately. We identified the following significant deficiencies:</p> <p>Monthly reconciliations</p>

Entity		Details of qualification
		<p>Month-end reconciliations, such as the bank, payroll, accounts payable, accounts receivable and fixed asset reconciliations were not prepared throughout the financial year ended 30 June 2023. Although these reconciliations were completed in June 2023, these weaknesses significantly increase the risk that fraud or errors may occur and not be detected in a timely manner.</p> <p>Controls over commercial fishing licence fees</p> <p>Reconciliations between the commercial fishing licencing system and the finance system were not regularly performed throughout the financial year ended 30 June 2023 and it was possible for receipts to be recorded in the commercial fishing licencing system, but not processed in the finance system. This significantly increased the risk that fraud or errors may occur and not be detected in a timely manner.</p> <p>Monitoring of cash and cash equivalents including restricted cash</p> <p>The Department did not have sufficient processes in place to identify and prevent inappropriate use of restricted cash throughout 2022-23 to fund shortfalls in operational cash. In addition, the review of end of day bank balances for the reporting year found an operating bank account overdrawn for one day without prior approval of the Treasurer. This is contrary to the requirements of section 14 of the <i>Financial Management Act 2006</i>.</p> <p>Payroll</p> <p>There were weaknesses in payroll controls which could result in salary errors such as overpayments and payments to individuals who are not entitled to receive payment. Consequently, controls to prevent invalid and inaccurate payroll payments were inadequate throughout 2022-23.</p> <p>General computer controls</p> <p>There were significant weaknesses in general computer controls throughout the financial year ended 30 June 2023 which, when combined, could result in unauthorised access to sensitive information and increased risk of information loss and expose the Department to vulnerabilities which can undermine the integrity of information in the Department's finance, human resources and other business systems.</p>
10	Department of Water and Environmental Regulation	<p>Qualified opinion on controls</p> <p>Management of cost recovery fees</p> <p>Significant weaknesses in the design and implementation of controls over the initiation and management of cost recovery fee payable by proponents as prescribed under the Environmental Protection (Cost Recovery) Regulations 2021 were identified. These weaknesses resulted in inconsistent income recognition that increase the risk of error and delays in the receipt of moneys. Consequently, the Department has not effectively administered the cost recovery fee in accordance with the Environmental Protection (Cost Recovery) Regulations 2021.</p>
11	Disability Services Commission	<p>Qualified opinion on controls</p> <p>Cash management</p> <p>Significant weaknesses in the cash management controls designed and implemented by the Commission were identified. Funds intended for the provision of staff resources were paid by the Commission to the</p>

Entity		Details of qualification
		<p>Department of Communities in excess of the incurred staff resources costs. In addition, these funds were consumed by the Department for its own operational purposes. As a result of the above, the Commission has breached section 18(2) of the <i>Financial Management Act 2006</i> and section 15(3) of the <i>Disability Services Act 1993</i>.</p> <p>Qualified opinion on controls Payroll Significant weaknesses in the payroll controls as implemented by the Commission were identified. These weaknesses could result in salary errors such as overpayments or payments to individuals who are not entitled to receive payments. Consequently, controls to prevent invalid and inaccurate payroll payments were inadequate.</p>
12	East Metropolitan Health Service	<p>Qualified opinion on controls Network security controls Significant weaknesses in network security controls and controls over unauthorised connection of devices at the East Metropolitan Health Service were identified. These weaknesses could compromise the confidentiality, integrity and availability of key systems and information. These weaknesses also exposed the WA Health network to increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.</p>
13	Housing Authority	<p>Qualified opinion on controls Cash management The following significant weakness in the design and implementation of controls over cash management were identified. Funds intended for the provision of staff resources were paid by Authority to the Department of Communities in excess of the incurred staff resources costs. In addition, these funds were consumed by the Department for its own operational purposes. As a result, the Authority has breached section 18(2) of the <i>Financial Management Act 2006</i> and section 24 of the <i>Government Employee's Housing Act 1964</i>.</p> <p>Qualified opinion on controls Service delivery agreement expenses Significant weaknesses in the design and implementation of controls over the Housing Authority service delivery agreement expenses relating to supplies and services were identified. These weaknesses could result in errors such as overpayments or payments for services not received. Consequently, controls to prevent invalid or inaccurate service delivery agreement expenses payments were inadequate.</p>
14	North Metropolitan Health Service	<p>Qualified opinion on controls Cash and cash equivalents Significant control weaknesses in the design and implementation of North Metropolitan Health Service's monthly bank reconciliation processes were identified. These weaknesses significantly increased the risk that fraud or errors will not be detected in a timely manner throughout the financial year.</p> <p>Qualified opinion on controls Network security controls Significant weaknesses in network security controls and controls over unauthorised connection of devices at the North Metropolitan Health Service were identified. These weaknesses could compromise the confidentiality, integrity and availability of key systems and information.</p>

Entity		Details of qualification
		<p>These weaknesses also exposed the WA Health network to increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.</p> <p>Qualified opinion on financial statements</p> <p>Cash and cash equivalents</p> <p>The Health Service's main account bank reconciliation for 31 May 2023 included an unreconciled balance of \$2,770,196. Subsequently, management made a decision to write-off the unreconciled balance in June 2023 to general administration included under other expenditure as per note 3.6 to the financial statements. We were unable to obtain sufficient and appropriate audit evidence to support the write-off. Consequently, we were unable to determine whether any further or alternate adjustments might have been necessary.</p>
15	Pathwest Laboratory Medicine WA	<p>Qualified opinion on controls</p> <p>Network security controls</p> <p>Significant weaknesses in network security controls and controls over user access management at PathWest were identified. These weaknesses could compromise the confidentiality, integrity and availability of key systems and information. These weaknesses also exposed the WA Health network to increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.</p>
16	Police Service, Western Australia	<p>Qualified opinion on controls</p> <p>Procurement to pay processes</p> <p>Significant weaknesses in the procurement controls designed and implemented by the Police Service were identified. In particular, the use of purchase orders was not mandated, there were many instances where appropriate segregation of duties between ordering, receiving, incurring and certifying could not be demonstrated and authorisation limits for incurring and certifying officers were not established. In addition, we also identified several instances where purchases were incurred or certified by an officer without a delegation to do so. Consequently, controls to prevent incorrect or fraudulent payments and ordering of inappropriate or unnecessary goods and services were inadequate throughout 2022-23.</p> <p>Qualified opinion on controls</p> <p>Payroll</p> <p>There were significant weaknesses in payroll controls designed and implemented by the Police Service. These weaknesses could result in salary errors such as overpayments and payments to individuals who are not entitled to receive payment. Consequently, controls to prevent invalid and inaccurate payroll payments were inadequate throughout 2022-23.</p> <p>Qualified opinion on controls</p> <p>Special purpose account – Road Trauma Trust Account</p> <p>There were significant weaknesses in controls over the approval of payments from the Road Trauma Trust Account (RTTA) designed and implemented by the Police Service. The Police Service did not obtain the minister's final determination of the projects to be funded from the RTTA for 2022-23 before making payments. Consequently, controls to ensure that payments out of this special purpose account are</p>

Entity		Details of qualification
		appropriately approved in line with legislative requirements were inadequate throughout 2022-23.
17	South Metropolitan Health Service	<p>Qualified opinion on controls</p> <p>Network security controls</p> <p>Significant weaknesses in network security controls and controls over unauthorised connection of devices at the South Metropolitan Health Service were identified. These weaknesses could compromise the confidentiality, integrity and availability of key systems and information. These weaknesses also exposed the WA Health network to increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.</p>
18	WA Country Health Services	<p>Qualified opinion on controls</p> <p>Network security controls</p> <p>Significant weaknesses in network security controls and controls over unauthorised connection of devices at the WA Country Health Service were identified. These weaknesses could compromise the confidentiality, integrity and availability of key systems and information. These weaknesses also exposed the WA Health network to increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.</p>
19	Western Australian Planning Commission	<p>Qualified opinion on controls</p> <p>Controls over land</p> <p>Significant weaknesses in the design and implementation of controls over daily, monthly and year-end controls of land and related balances including non-current assets classified as held for sale, unsettled land balances reserves and revaluation surplus were identified. These weaknesses had implications on controls over the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. These weaknesses could result in inaccuracies in the land records and related balances, and thereby in financial information as errors and/or fraud may not be detected throughout the 2022-23 financial year.</p>

Source: OAG

Appendix 7: Prior year qualified opinions removed in 2022-23

Entity	Details of prior year qualification
Building and Construction Industry Training Board	<p>Qualified opinion on controls IT systems configuration</p> <p>In 2021-22, there were inappropriate IT systems configuration that reduced the ability to segregate duties for finance and payroll functions. These weaknesses were addressed in 2022-23.</p>
Corruption and Crime Commission	<p>Qualified opinion of key performance indicators Percentage of assessments completed within 28 days</p> <p>In 2021-22, we were unable to obtain sufficient and appropriate audit evidence for the reported key efficiency indicator percentage of assessments completed within 28 days. This was due to significant internal control deficiencies to ensure complete and accurate underlying records to support the reporting of the key efficiency indicator.</p> <p>In 2022-23, our testing confirmed that the significant deficiencies in controls to record the key information used to calculate the key efficiency indicator have been resolved.</p>
Department of Communities	<p>Qualified opinion on financial statements Cash and cash equivalents and restricted cash and cash equivalents</p> <p>In 2021-22, we issued a qualified opinion on the financial statements as the Department did not classify the over recouped funds as restricted cash and cash equivalents. Consequently, the Department's restricted cash and cash equivalents and cash and cash equivalents balances were materially misstated.</p> <p>The Department resolved the issues leading to the qualification in 2022-23, which included restating and correcting prior year comparatives.</p> <p>Qualified opinion on controls General computer controls</p> <p>In 2021-22, there were significant weaknesses in controls over managing access to the network and key systems. The Department has made significant progress to address these weaknesses in 2022-23, particularly in relation to remote user access and network access management.</p>
Department of Finance	<p>Qualified opinion on controls Inventory management – rapid antigen tests</p> <p>In 2021-22, we identified significant weaknesses in controls over inventory specifically related to the receiving, recording and distribution of rapid antigen tests at the Department of Finance. These weaknesses were addressed in 2022-23.</p>
Department of Local Government, Sport and Cultural Industries	<p>Qualified opinion on controls General computer controls</p> <p>In 2022-23, the Department improved its controls for managing access to the network and key systems.</p> <p>Qualified opinion on controls Procurement</p>

Entity	Details of prior year qualification
	<p>In 2022-23, we identified significant weaknesses in the procurement controls implemented by the Department, including many instances where purchase orders were raised after the receipt of an invoice. The Department improved its procurement controls in 2022-23 resulting in the controls qualification being removed.</p>
<p>Disability Services Commission</p>	<p>Qualified opinion on financial statements Overpaid salary and wages expenses</p> <p>We issued a qualified opinion on the financial statements in 2021-22 as the Commission had overpaid \$15.3 million to the Department of Communities for the Commission's incurred salaries and wages expenses. The Commission recognised a receivable balance (within Note 6.1 Receivables – Other government agencies) for the overpayment. The Commission did not seek repayment from the Department during 2021-22. This issue was resolved in 2022-23.</p>
	<p>Qualified opinion on controls General computer controls</p> <p>Significant weaknesses in general computer controls implemented by the entity providing services to the Commission were resolved during 2022-23.</p>
<p>Gaming and Wagering Commission of Western Australia</p>	<p>Qualified opinion on controls Controls over racing bets levy</p> <p>In 2021-22, controls established by the Commission over the Racing Bets Levy receipts were inadequate to ensure the requirements of Regulation 110 of the Betting Controls Regulations 1978 have been complied with. Controls were not adequate to ensure timely receipt of annual audited returns from betting operators, nor the completeness of information included in these returns. The Commission improved its controls over the racing bets levy in 2022-23.</p>
<p>Health Support Services</p>	<p>Qualified opinion on controls Inventory controls</p> <p>In 2021-22, we identified significant weaknesses in controls over inventory (receiving, recording and distribution) at Health Support Services, including the controls and management of rapid antigen tests. These weaknesses were addressed in 2022-23.</p>
<p>Housing Authority</p>	<p>Qualified opinion on financial statements Overpaid salary and wages expenses</p> <p>We issued a qualified opinion on the financial statements in 2021-22 as the Housing Authority had overpaid \$12.0 million to the Department of Communities for the Authority's incurred salaries and wages during the year. The Authority recognised a receivable balance (within Note 6.1 Loans and receivables – Other debtors) for the overpayment. The Authority did not seek repayment from the Department during 2021-22. This issue was resolved in 2022-23.</p>
	<p>Qualified opinion on controls General computer controls</p> <p>Significant weaknesses were identified in the controls to mitigate significant weaknesses in the entity providing services to the Authority, related to the management of access to the network and key systems. These weaknesses leave the information technology environment at the risk of unauthorised or inappropriate access to the network and business systems. The general computer controls were therefore not adequate throughout the year.</p>

Entity	Details of prior year qualification
	<p>Qualified opinion on controls</p> <p>Payroll</p> <p>The Housing Authority changed its accounting policy for employee benefits expenses which meant that employee benefits expenses are no longer recognised in the financial statements as they were replaced with service delivery agreement expenses. The previously reported controls qualification has been removed, but a new controls qualification relating to service delivery agreement expenses was identified in 2022-23.</p>
Lotteries Commission	<p>Qualified opinion on controls</p> <p>General computer controls</p> <p>In 2021-22, we identified a significant weakness in general computer controls implemented by the Lotteries Commission. This weakness could result in unauthorised access and inappropriate changes to the Commission's financial system without being detected. These weaknesses were addressed in 2022-23.</p>
Police Service, Western Australia	<p>Qualified opinion on controls</p> <p>General computer controls</p> <p>In May 2022, the Police Service rectified the underlying issue which resulted in the qualified controls opinion for general computer controls in 2021-22. Consequently, this controls qualification has been removed.</p>
State Solicitors Office	<p>Qualified opinion on controls</p> <p>In 2021-22, we identified significant weaknesses in the design and implementation of payroll controls by the State Solicitor's Office to prevent and detect invalid and inaccurate payroll payments. The Office improved its payroll controls in 2022-23 which resulted in this qualification being removed.</p>
Western Australian Greyhound Racing Association	<p>Qualified opinion on controls</p> <p>Accounting journal entries</p> <p>In February 2023, the Association improved its controls over journal entries to ensure that journals were appropriately approved. The Association also performed an independent review of all journals processed in the 2022-23 period which had not been reviewed and approved. This resulted in the removal of the qualified controls opinion over accounting journal entries.</p>
	<p>Qualified opinion on controls</p> <p>Month-end reconciliations</p> <p>In February 2023, the Association improved its controls in relation to the preparation and independent review of month-end reconciliations. This included going back and completing monthly reconciliations which had not been performed. Consequently, the controls qualification has been removed.</p>
Western Australian Health Promotion Foundation	<p>Qualified opinion on controls</p> <p>General computer controls</p> <p>In 2021-22, we identified the Foundation had insufficient controls to mitigate a significant weakness in the general computer controls of the entity providing services to the Foundation under a service level agreement. These weaknesses have now been addressed, which has resulted in the controls qualification being removed.</p>

Source: OAG

Appendix 8: Matters of significance included in auditor's reports

Entity	Description of Matter of Significance paragraphs
Aboriginal Affairs Planning Authority	<p>The Aboriginal Affairs Planning Authority reported the Percentage of stakeholders who found the Authority's management of the land on behalf of the Aboriginal people satisfactory key effectiveness indicator for reporting period 2022-23 was based on a survey result where only 6 out of 207 stakeholders responded to the survey. Accordingly, the Authority has concluded that the result for this indicator is based on insufficient responses, and therefore may not reflect a true position of its performance. The opinion is not modified in respect of this matter.</p>
Department of Fire and Emergency Services	<p>The Department received a temporary exemption from the Under Treasurer from reporting the following three key effectiveness indicators for the year ended 30 June 2023 as outlined in the KPIs report:</p> <ul style="list-style-type: none"> • KPI 3.2 Proportion of structure fire reports completed within specified timeframes • KPI 3.3 Proportion of responses to Emergency Service Levy 1 and Emergency Service Levy 2 incidents within target timeframes • KPI 3.4 Proportion of structure fires confined to object or room of origin. <p>The temporary exemption was approved due to ongoing industrial action that affected the Department's ability to obtain completed incident reports since 1 May 2023. Consequently, these KPIs have not been reported for the year ended 30 June 2023. The opinion is not modified in respect of this matter.</p>
Department of the Premier and Cabinet	<p>The Department received a direction from the Treasurer under section 61(1)(b) of the <i>Financial Management Act 2006</i>, that it is not required to report key efficiency indicators for the following services for the year ended 30 June 2023, as well as subsequent financial years:</p> <ul style="list-style-type: none"> • Government Policy Management – Whole of Government • Government Policy Management – Aboriginal Affairs • Government Policy Management – ICT <p>The exemption was approved on the basis that it is impractical to develop efficiency indicators for these services that meet the Treasurer's Instructions requirement of being relevant and appropriate. Consequently, this indicator has not been reported. The opinion is not modified in respect of this matter.</p>

Source: OAG

Appendix 9: Emphasis of matter/other matter paragraphs included in auditor's reports

The following list describes the matters that we highlighted through emphasis of matter /other matter paragraphs in 2023 audit reports:

Entity	Description of emphasis of matter/other matter paragraphs
Annual Report on State Finances	Resolved litigation matter Contingent liabilities as per Note 33 of Appendix 1 of the Annual Report on State Finances, includes disclosure of a \$28 billion claim against the Western Australian Government which has been discontinued. The claim was reported as a contingent liability matter in the previous year's report. The opinion is not modified in this regard.
Bunbury Water Corporation	Restatement of comparative balances The opinion draws attention to Note 9 to the financial report, which states that amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Department of Communities	Restatement of comparative figures The opinion draws attention to Note 9.2 to the financial statements which states that the amounts reported in the previously issued 30 June 2022 financial statements have been restated and disclosed as comparatives in these financial statements. The opinion is not modified in respect of this matter.
Department of Jobs, Tourism, Science and Innovation	Contingent liability - discontinued litigation and guarantee Contingent liabilities as per Note 7.2.2 of the financial statements includes separate disclosures of the discontinuance of a \$28 billion claim against the State and the extinguishment/payment of a guarantee made by the Western Australian Government. The matters were reported as contingent liabilities in the previous year's financial statements. The opinion is not modified in this regard.
Department of Local Government, Sport and Cultural Industries	Special purpose account overdrawn The opinion draws attention to Note 9.7 to the financial report which states the Department has breached section 19 of the <i>Financial Management Act 2006</i> by overdrawing the Sunset Heritage Trust Account prior to seeking approval by the Treasurer. The opinion is not modified in respect to this matter.
Department of Primary Industries and Regional Development	Other matter – key performance indicators As reported by the Department in its report on KPIs, the effectiveness indicators No. 2 Percentage of clients satisfied with the department's technology initiatives and No 3 Percentage of clients satisfied with the department's capability initiatives are based on client surveys taken at a 95% confidence level with sampling errors of 9% and 8% respectively. The Department expressed confidence that the results remain reliable. The opinion is not modified in respect of this matter.
Department of the Registrar, Western Australian Industrial Relations Commission	Key efficiency indicators As reported in the KPIs, the Department has not reported key efficiency indicators for Service 2 Conciliation and Arbitration by the Western Australian Industrial Relations Commission. Service 2 relates to the Commission which was established under the <i>Industrial Relations Act 1979</i> . As the Commission is an affiliated body and not subject to the operational control of the Department, key efficiency indicators are not

Entity	Description of emphasis of matter/other matter paragraphs
	reported for the Commission by the Department. The audit opinion is not modified in respect of this matter.
Department of Water and Environmental Regulation	<p>Restatement of comparative balances</p> <p>The opinion draws attention to Note 8.2 to the financial statements which states that the amounts reported in the previously issued 30 June 2022 financial statements have been restated and disclosed as comparatives in these financial statements. The opinion is not modified in respect to this matter.</p>
Disability Services Commission	<p>Restatement of comparative figures</p> <p>The opinion draws attention to Note 9.2 to the financial statements which states that the amounts reported in the previously issued 30 June 2022 financial statements have been restated and disclosed as comparatives in these financial statements. The opinion is not modified in respect of this matter.</p>
Electricity Generation and Retail Corporation (trading as Synergy)	<p>Onerous contracts</p> <p>The opinion draws attention to notes 3.3 Expenses and 5.4 Provisions of the financial report which discloses the Group's recognition of an additional provision for onerous contracts of \$773.7 million during the year which consists of \$498.2 million included in fuel, electricity and other purchases and \$275.5 million included in commodity charges. The opinion is not modified in respect of this matter.</p>
Gold Corporation	<p>Contingent liabilities</p> <p>The opinion draws attention to Note 31 of the financial report in terms of the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i>, whereby the Australian Transaction Reports and Analysis Centre (AUSTRAC) appointed an external auditor to conduct an audit to assess the Group's compliance with the Anti-Money Laundering and Counter-Terrorism Financing legislative provisions. It is not possible to quantify the potential financial effects, if any, until after AUSTRAC has appropriately considered the audit report and made its determination. The opinion is not modified in respect of this matter.</p>
Housing Authority	<p>Restatement of comparative figures</p> <p>The opinion draws attention to Note 9.2 to the financial statements which states that the amounts reported in the previously issued 30 June 2022 financial statements have been restated and disclosed as comparatives in these financial statements. The opinion is not modified in respect of this matter.</p>
Keystart Loans Limited	<p>Basis of accounting</p> <p>The opinion draws attention to Note 2(a) to the financial report, which describes the basis of accounting and that the financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the <i>Corporations Act 2001</i>. As a result, the financial report may not be suitable for another purpose.</p>
Pilbara Ports Authority	<p>Restatement of comparative balances</p> <p>The opinion draws attention to Note 37 to the financial report which states that the amounts reported in the previously issued 30 June 2022 and 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.</p>

Entity	Description of emphasis of matter/other matter paragraphs
Police Service	<p>Road Trauma Trust Account</p> <p>The opinion draws attention to Note 9.11 to the financial statements, which states that the Police Service did not obtain subsequent confirmation of the minister's decision on the projects to be funded by the Road Trauma Trust Account before making payments. The opinion is not modified in respect of this matter.</p>
The Delegate of the Queen Elizabeth II Medical Centre Trust	<p>Basis of preparation and restriction on distribution and use</p> <p>The opinion draws attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of meeting the financial reporting requirements of the Delegate pursuant to the <i>Queen Elizabeth II Medical Centre Act 1966</i>. As a result, the financial report may not be suitable for another purpose. The opinion is not modified in respect of this matter. The report is intended solely for the Delegate and should not be distributed to or be used by other parties.</p>
South West Solar Development Holdings Pty Ltd (Synergy)	<p>Basis of accounting and restriction on distribution and use</p> <p>The opinion draws attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the <i>Government Trading Enterprises Act 2023</i>. As a result, the financial report may not be suitable for another purpose. The opinion is not modified in respect of this matter. The report is intended solely for the Group and should not be distributed to or be used by other parties.</p>
Synergy Renewable Energy Development (RED) Pty Ltd (Synergy)	<p>Basis of accounting and restriction on distribution and use</p> <p>The opinion draws attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the <i>Government Trading Enterprises Act 2023</i>. As a result, the financial report may not be suitable for another purpose. The opinion is not modified in respect of this matter. The report is intended solely for the Company and should not be distributed to or be used by other parties.</p>
Tertiary Institutions Service Centre (Ltd)	<p>Basis of accounting</p> <p>The opinion draws attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Division 60 of the <i>Australian Charities and Not-for-Profits Commission Act 2012</i>. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.</p>
Western Australian Land Information Authority	<p>Restatement of comparative balances</p> <p>The opinion draws attention to Note 5.6 (d) to the financial statements, which states that amounts reported in the previously issued 30 June 2022 financial statements have been restated and disclosed as comparatives in these financial statements. The opinion is not modified in respect of this matter.</p>

Source: OAG

Appendix 10: Dispensed audits

Entity	
Gascoyne Development Commission	<p>The nine development commissions were significantly impacted by the 2017 machinery of government changes, with most of their staff being transferred to DPIRD.</p> <p>A consequence of this is that the financial statements of the nine development commissions largely reflect the services/expenses that DPIRD provides/incurs on their behalf, which is subject to audit via the audit of DPIRD.</p> <p>The remaining balances in the financial statements are generally insignificant.</p> <p>Noting the provisions of section 14(5), these entities will be subject to audit for the 2023-2024 period as this is the second consecutive year they have been dispensed.</p>
Goldfields-Esperance Development Commission	
Great Southern Development Commission	
Kimberley Development Commission	
Mid West Development Commission	
Peel Development Commission	
Pilbara Development Commission	
South West Development Commission	
Wheatbelt Development Commission	
WA Building Management Authority	<p>The entity remains dormant and a decision for dissolution is yet to be made. An audit is due at the earlier of the dissolution date or 30 June 2024.</p>

Source: OAG

Appendix 11: Audit certifications

Entity	Certification relates to	Date issued
Department of Health	National Health Funding Pool Act 2012 Western Australian State Pool Account	13/09/2023
Fire and Emergency Services Superannuation Board	APRA Return	20/09/2023

Source: OAG

Appendix 12: Royalties for Regions certifications

Entity	Royalties for Regions approved projects	Date certification issued
Department of Treasury	Governance of Royalties for Regions Program	21/11/2023
Police Service, Western Australia	Community Safety Network/Regional Radio Network Replacement Program	19/12/2022

Source: OAG

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Auditor General's 2023-24 reports

Number	Title	Date tabled
10	Financial Audit Results – State Government 2022-23	20 December 2023
9	Implementation of the Essential Eight Cyber Security Controls	6 December 2023
8	Electricity Generation and Retail Corporation (Synergy)	8 November 2023
7	Management of the Road Trauma Trust Account	17 October 2023
6	2023 Transparency Report: Major Projects	2 October 2023
5	Triple Zero	22 September 2023
4	Staff Exit Controls for Government Trading Enterprises	13 September 2023
3	Financial Audit Results – Local Government 2021-22	23 August 2023
2	Electricity Generation and Retail Corporation (Synergy)	9 August 2023
1	Requisitioning of COVID-19 Hotels	9 August 2023

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Office of the Auditor General
for Western Australia

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: 2023 Compliance Audit Return - CAR

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

4 - Document Management Processes

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Non-compliance would result in imposed penalties.	Major (4)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	High impact to Shire reputation if not carried out.	Major (4)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

RISK ASSESSMENT TOOL**OVERALL RISK EVENT:** Biannual Compliance Task Report**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

(Appendix AAR: 8.4)

RISK ASSESSMENT TOOL								
OVERALL RISK EVENT:		Regulation 17 Review of Local Government Systems and Procedures						
RISK THEME PROFILE:		3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)						
RISK ASSESSMENT CONTEXT:		Strategic						
CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

