

APPENDICES

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 15th March 2023 Commencing at 2.00pm

Αt

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: 2022 Compliance Audit Return - CAR

RISK THEME PROFILE:

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

4 - Document Management Processes

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE		PRIOR TO TREATMENT OR CONTROL		RISK ACTION PLAN	AFTER TREATEMENT OR CONTROL			
CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	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. Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring.	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. Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring.	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.

Western Australian Auditor General's Report



Fraud Risk Management – Better Practice Guide



Report 20: 2021-22

22 June 2022

Office of the Auditor General Western Australia

Report team:

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Fraud Risk Management
- Better Practice Guide

Report 20: 2021-22 June 2022



THE PRESIDENT LEGISLATIVE COUNCIL

THE SPEAKER LEGISLATIVE ASSEMBLY

FRAUD RISK MANAGEMENT - BETTER PRACTICE GUIDE

This report has been prepared for submission to Parliament under the provisions of section 23(2) and 24(1) of the *Auditor General Act 2006*.

Better practice checklists regularly feature in my Office's performance audit reports as a means of providing guidance to help the Western Australian public sector perform efficiently and effectively. This is the third comprehensive stand-alone better practice guide we have produced.

CAROLINE SPENCER AUDITOR GENERAL

22 June 2022

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Auditor General's overview

Fraud and corruption are ever present and growing threats to businesses, including the Western Australian public sector. As well as loss of funds, fraud and corruption can result in loss of confidence in government institutions. The community needs to have faith that the public sector is serving them well for democracy to work.



The social contract between taxpayer and Government is threatened when public money is misappropriated or other wrongdoing occurs. It strikes at the core of trust, accountability and transparency in Government.

Good governance is important to protect our power, water, justice and transport infrastructure, as well as our health, education and regulatory systems from ineffectiveness, inefficiency and of course failure to deliver what people need when they need it.

It is therefore critical that all levels of the Western Australian (WA) public sector commit to good governance to safeguard public assets from fraudulent or corrupt activity. To do this, every WA public sector entity must understand, in detail, the risks that occur generally within the public sector environment and the specific risks relevant to the activities they undertake.

A common motivator for most people who join the public sector is a desire to do a good job. To assist with this we develop and share guidance on better practice. The purpose of this Better Practice guide is to raise the standard of fraud and corruption control across the WA public sector. Parts 1 and 2 of this guide are aimed at decision makers, highlighting the importance of a fraud and corruption risk management program and the current state of fraud control in the WA public sector. Part 3 is aimed at guiding those responsible for developing and implementing an entity's fraud risk management program.

The guide follows the establishment of our Forensic Audit team as set out in my report of December 2021, its purpose being to uplift fraud resilience within the WA public sector. As has always been the case, public sector entities are responsible for the prevention and detection of fraud and corruption. This guide is intended to empower entities to do more to discharge their governance responsibilities by better controlling their risks of fraud and corruption.

We encourage entities to use this guide along with the tools and other available resources to manage the risk of fraud against their entity. While fraud risks cannot be eliminated, a robust and well-resourced fraud risk management program can minimise the likelihood and consequences of fraud events.

We thank the Commonwealth Fraud Prevention Centre for their generous support in helping develop this guide as well as McGrathNicol Advisory for their guidance. We also extend our appreciation to the State entities that provided valuable feedback on the draft guide.

Part 1: Introduction

1.1 About this guide

This Better Practice Guide aims to help Western Australian (WA) public sector entities to manage their fraud and corruption risks. It outlines why fraud and corruption risk management is important (Part 2) and provides practical guidance on the process of developing a fraud and corruption risk management program (Part 3).

The guide refers to a range of tools which are included in the appendices and available on our website (www.audit.wa.gov.au). The online tools will be updated as required.

1.2 Who should use this guide

This guide is intended for use by WA public sector entities (entities) and may be applicable to other organisations.

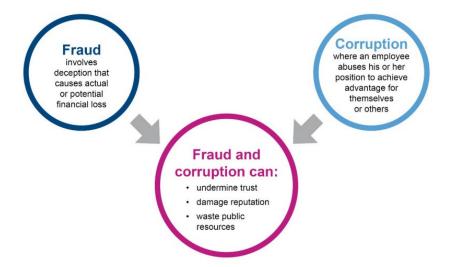
Parts 1 and 2 are intended for directors general, chief executive officers, managers and other key decision makers. Part 1 outlines the high-level principles entities should apply to fraud and corruption risk management and Part 2 highlights the importance of entities implementing an effective fraud and corruption risk management program.

Part 3 is for those tasked with fraud risk management within an entity. It aims to step them through the process of developing, executing and monitoring an entity's fraud and corruption risk management program.

Ultimately, preventing and detecting fraud and corruption is the responsibility of every person in the WA public sector, and as such, this guide may be relevant for all public sector employees.

1.3 What is fraud and corruption

Fraud and corruption involve a benefit being obtained through dishonesty and/or an abuse of position to the detriment of another person or entity (Figure 1). They can pose a risk to an entity's finances, reputation, and service delivery. More seriously, they go to the heart of trust and confidence in Government. In this guide, we use the term fraud to include corruption.



Source: OAG using information from the Victorian Auditor General's Office – Fraud and Corruption Control report,

March 2018

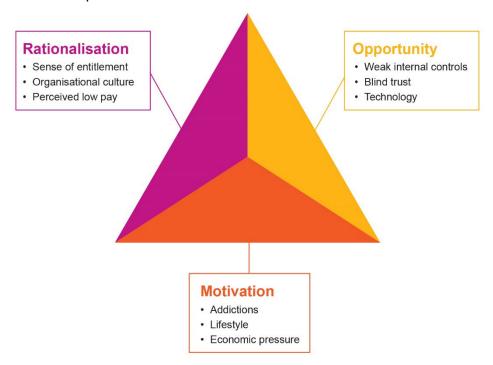
Figure 1: Definitions of fraud and corruption

Not all fraud can be prevented – every organisation, public or private, is vulnerable. A robust and rigorous fraud control system, with appropriate prevention and detection processes, can reduce the risk of fraud occurring and minimise losses.

To effectively fight fraud an entity must first acknowledge that fraud occurs and then seek to understand how and why it occurs. The fraud triangle (Figure 2) outlines 3 key elements that are generally present when fraud has occurred in an entity:

- Opportunity a vulnerability within systems or processes is identified and exploited.
- **Motivation** also referred to as pressure, is the reason someone commits fraud.
- **Rationalisation** how someone justifies their fraudulent behaviour to themselves.

With the right mix of motivation, opportunity and rationalisation even the most trusted employee can be tempted to commit a fraudulent act.



Source: OAG adapted from Other People's Money¹

Figure 2: The fraud triangle

A fraudster's personal motivation and the ability to rationalise their behaviour is largely beyond an entity's control although, entities will benefit from being alert to and aware of behavioural red flags in respect of their staff and suppliers. The most effective way for an entity to manage its risk of fraud is by controlling the opportunity – implementing or enhancing controls aimed at preventing fraud or detecting it quickly if it does occur.

1.4 Fraud control principles

To build a robust and effective fraud risk management program requires 10 essential principles. Each of the following principles link to 1 or more stages of a better practice fraud risk management program as set out in this guide.

¹ Other People's Money: A Study in the Social Psychology of Embezzlement, Dr Donald Cressey, Free Press 1953.

Strong leadership	An entity's leadership must model a commitment to fraud control, establishing a strong 'tone at the top' culture to demonstrate their personal commitment to operating with integrity and encouraging a 'finding fraud is good' mindset.	
Recognise fraud as a business risk	Entities must acknowledge they are vulnerable to fraud. Fraud should be viewed and treated in the same way as an entity's other enterprise risks.	
Adequate control resourcing Entities should invest in appropriate levels of fraud control reso including specialist information system security management personnel.		
Clear accountability for fraud control Entities should establish clear personal accountabilities for frauction control at the governance, executive management and management levels.		
Implement and maintain an effective fraud control system	An effective fraud control system (FCS) can reduce the opportunity for fraud. It needs to align with better practice guidance, be fully implemented, monitored and updated periodically.	
Periodic assessment of fraud risks	Fraud risk assessments should be carried out periodically or whenever a significant change that affects the entity occurs.	
Effective awareness raising program across the entity To ensure employees recognise red flags for fraud, entities sho establish an effective awareness program.		
Open channels to report suspicions of fraud	To encourage whistle-blowers to come forward entities should support: • active reporting of fraud through accessible anonymised reporting channels	
	 ensure that the entire workforce is aware of organisational expectations for reporting detected or suspected cases of fraud 	
	 ensure they have robust whistle-blower protection policies and procedure that includes assurance that victimisation of those who, in good faith, make such reports will not be tolerated. 	
Implement a fraud detection program An effective fraud detection program that includes detection means such as data analytics and post-transactional review are impo		
Consistent response to fraud incidents	Rapid and robust response to suspected fraud events with effective investigation procedures will drive decisive action and result in better outcomes for detected fraud incidents.	
	A strong and consistent response to all fraud events will send a strong message to the workforce that the entity will not tolerate fraud, no matter how minor.	

Source: OAG

Table 1: Foundation principles for fraud control

1.5 Acknowledgements

We would like to express our appreciation to the entities and their employees who contributed to the development of this guide.

We also acknowledge and express our appreciation to the Commonwealth Fraud Prevention Centre (CFPC) and Standards Australia, who willingly shared their original intellectual property in the development of this guide, and McGrathNicol Advisory, who were engaged to provide technical expertise.

Part 2: Why develop a fraud risk management program

2.1 Overview

In this part of the guide, we outline why entities should develop a fit for purpose fraud risk management program. In summary:

- there are WA government requirements to implement integrity measures to protect the financial and reputational position of entities
- the financial, reputational and human impact on an entity and its employees when fraud occurs can be significant
- entities' fraud control maturity is not meeting best practice.

Fraud risk management has a critical role in preventing and promptly detecting fraud to minimise loss, retain trust in entities and protect employees.

2.2 Public sector requirements

Entities are required to consider their risks and implement protections.

Treasurer's Instruction (TI) 825 requires all WA State government entities to develop and implement a risk management program. The TIs state, where possible, entities' policies and procedures should be consistent with Australian Standards including:

- AS ISO 31000:2018 Risk management Guidelines (risk standard)
- AS 8001:2021 Fraud and corruption control (fraud control standard).

Similarly, Regulation 17 of the Local Government (Audit) Regulations 1996 requires local government CEOs to review their entity's systems and procedures, including for risk management, to ensure they are effective and appropriate for the entity's needs.

In addition to these requirements, the Public Sector Commission encourages all entities to commit to implementing its Integrity Strategy for WA Public Authorities 2020-2023. This strategy includes the *Integrity Snapshot Tool* which enables entities to self-assess their current integrity position and help identify areas for improvement.

This guide is intended to aid all entities in the application of the above Australian Standards and is not a replication of them. Entities should obtain a copy of the above from Standards Australia or from an authorised distributor to ensure a full and proper understanding of the content and their compliance with them.²

2.3 Impact of fraud in the WA public sector

The Association of Certified Fraud Examiners Report to the Nations 2022, estimated that fraud losses in businesses, government and not-for-profits are approximately 5% of their

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annual turnover.³ If this estimate is an accurate reflection of actual fraud losses within the WA public sector, the impact on the people of WA, and the services to them, is considerable.

Fraud within the WA public sector is typical of instances in other jurisdictions and sectors where investigations regularly find deficiencies within entities' controls. These deficiencies may have been identified earlier if the entities had a robust and rigorous fraud risk management program in place.

The following is a short summary of some detected fraud events within the WA public sector in the last 15 years and the practical impact on service delivery. These incidents demonstrate that the WA public sector remains vulnerable to fraud by members of its own workforce as well as external fraudsters.

Fraud The equivalent to State government department 90 public houses executive for vulnerable or Approved payments of false low income people/ invoices to shell companies he families controlled Radiographer 3 CT scanners Underreported income payable to the Department of Health Shire CEO New fire unit Unauthorised credit card use and theft from municipal account State government department 2 x-ray mammogram executive machine and 1 nurse's Approved payments of false invoices annual salary to shell companies he controlled \$500,000 Contractor engaged by a metropolitan health service 1 nurse's annual salary Provided benefits to an executive (travel, accomodation, meals and AFL grand final tickets) Shire councillor contracted as Running cost of a a vehicle licence examiner medical centre in a regional area for Received payments for driving 4 months assessments that were not undertaken Vehicle fleet coordinator Grants for healthy Provided his friend with eating initiatives for competitors' quotations and received local sporting clubs \$3,400 worth of travel vouchers

Figure 3: Examples of known fraud in the WA public sector

³ Association of Certified Fraud Examiners, Occupational Fraud 2022: A Report to the Nations.

Source: OAG

The impact of fraud goes beyond financial and service delivery losses and includes:

- **Human impact**: Those who rely on government services (such as the elderly, the vulnerable, the sick and the disadvantaged) are often the ones most harmed by fraud, increasing the disadvantage, vulnerability and inequality they suffer.
- Reputational impact: When it is handled poorly, fraud can result in an erosion of trust in government and industries, and lead to a loss of international and economic reputation. This is particularly true when fraud is facilitated by corruption.
- Industry impact: Fraud can result in distorted markets where fraudsters obtain a competitive advantage and drive out legitimate businesses, affecting services delivered by businesses and exposing other sectors to further instances of fraud.
- Environmental impact: Fraud can lead to immediate and long-term environmental damage through pollution and damaged ecosystems and biodiversity. It can also result in significant clean-up costs.4
- Organisational impact: The impact of fraud on employees can be significant. It can lead to low morale, mistrust, inefficient additional oversight and ultimately staff leaving due to the entity's damaged reputation. It can also result in reduced efficiency and effectiveness of the entity's activities.

2.4 Status of fraud control maturity across the sector

In 2021, we conducted a high-level review of State government entities' fraud risk management. As reported in our Forensics Audit Report - Establishment Phase, we found many entities fell well short of better practice. We reported similar results in our 2013 report, Fraud Prevention and Detection in the Public Sector, and in our 2019 report, Fraud Prevention in Local Government. Significant work is required across the public sector to raise the standard of fraud risk management to a satisfactory level.

As part of our 2021 review we asked: "Has the entity completed an assessment of its fraud and corruption risks?" Set out at Table 2 is an analysis of the findings of that review.

Responses			
Assessment completed	Assessment in progress	Assessment not completed	Total
71	12	11	92

Source: OAG

Table 2: Number of entities who have completed an assessment of their fraud and corruption risks

We selected a sample of 12 entities for more detailed analysis. This further analysis highlighted several key themes as set out in Table 3 below:

Theme	Summary	Why it matters
Lack of a risk framework	Some entities did not have an overall risk framework that could be applied in the context of fraud risk.	An overall risk framework ensures consistency in approach to all the entity's identified risks.

⁴ Commonwealth Fraud Prevention Centre, The total impacts of fraud (accessed 17 May 2022).

Theme	Summary	Why it matters
Entity size not an indicator of quality	Several larger entities provided insufficient details to show they had undertaken a fraud risk assessment. This suggests that inadequate resourcing is not the sole cause of poor fraud risk assessments being conducted.	The public sector collectively provides a diverse range of services and entities should apply a fit for purpose approach to their fraud risk assessment.
Lack of collaboration	Our analysis suggested a lack of collaboration with risk and process owners in the identification and analysis of the entity's fraud risks.	Collaboration is important because different employees bring different perspectives and experience.
No fraud risk register	Many entities did not have a fraud risk register, despite this being a requirement of their fraud control program.	Entities cannot efficiently monitor and review fraud risks if they have not been documented. The appropriate way to document an entity's fraud risks is in a fraud risk register.
Failure to assess fraud risk	It was clear from our analysis that a significant proportion of entities had not assessed their fraud risks. In many cases entities mistook a fraud control framework for a fraud risk assessment.	Entities must ensure they have a sound understanding of fraud risks that could impact their organisation – this can only be done by implementing a comprehensive process to identify, analyse and evaluate specific fraud risks that could impact the entity.
targeted assessed relevant fraud risks prior to undertaking data analytics to identify fraudulent transactions. for the prevention detection of fraud requires disciplin efficient and effect risk implementing and costly data a are not effective fraudulent fraudul		Data analytics is a useful tool for the prevention and detection of fraud, but it requires discipline for it to be efficient and effective. Entities risk implementing inefficient and costly data analytics that are not effective for fraud risks specific to their entity.
Excessive generalisation Fraud risks that were identified were excessively general rather than being linked to specific processes.		Entition must properly identify
Risk register limited to strategic risks	Fraud had been identified as an overall strategic risk; however, we saw little evidence that specific fraud risks were identified for individual business units or that a comprehensive fraud risk assessment had been undertaken across all parts of the organisation.	Entities must properly identify and define their vulnerabilities to enable implementation of effective controls.

Source: OAG

Table 3: Themes identified from survey of entities' fraud control maturity

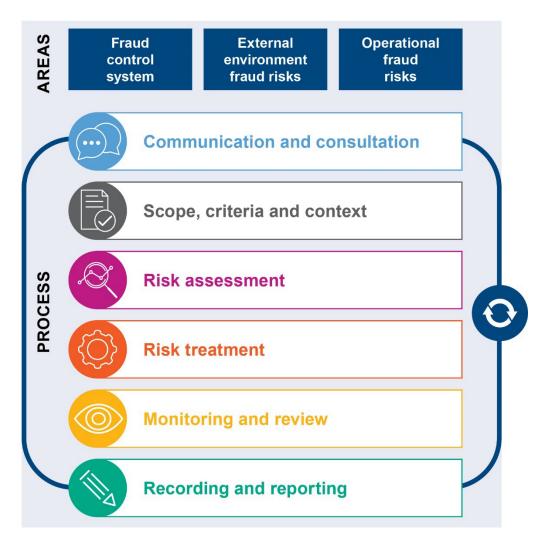
Part 3: How to develop a fraud risk management program

3.1 Overview

To effectively manage fraud risks, entities should develop and implement a robust and effective fraud risk management program. The program should be tailored to an entity's objectives, environment and risk profile and cover:

- the 3 areas where fraud vulnerabilities can be found (based on AS 8001:2021 Fraud and corruption control) - section 3.2
- the 6-stage process to manage risks (based on AS ISO 31000:2018 Risk management - Guidelines) - section 3.3.

The diagram below is a simple illustration of the fraud risk management program.



Source: OAG based on AS 8001:2021 and AS ISO 31000:2018

Figure 4: Risk management process including 3 areas of fraud risks to consider

3.2 Where to look for fraud vulnerabilities

In accordance with AS 8001:2021, effective management of fraud risk requires a comprehensive examination of an entity's overall fraud control system (FCS), external threats and operational (or internal) activities.

Our survey of State government entities found that most entities who had taken steps to manage their risk of fraud only considered 1 of the 3 vulnerability areas and none provided evidence that they had considered all 3.

The following is a brief overview of the 3 areas of fraud vulnerability. Whilst we have focused the fraud risk management process that follows at 3.3 on operational risks, it can be applied to the other 2 areas of fraud vulnerability.

A fraud control system is the tools and techniques used to mitigate an entity's fraud risks. When considering fraud risks, analysing the existing control environment is important to assess how closely it aligns to better practice.

AS 8001:2021 – Fraud and corruption Control Clause 2.10 identifies 4 elements for an FCS: foundation, prevention, detection and response, examples of these are included in the table below:

FCS elements	Overview
Foundation	Adequate resourcing to implement a multi-faceted approach to managing fraud risks.
	Examples include specialist resourcing, awareness training, risk management, information security management systems.
Prevention	Prevention controls are the most common and cost-effective way to mitigate fraud.
	Examples include an integrity framework, internal controls, workforce screening, physical security.
Detection	Detection controls can help to identify when fraud has occurred but are not as cost-effective as preventative measures.
	Examples include post-transactional review, data analytics, whistle-blower management.
Response	Response controls can assist the entity to respond to a fraud incident after it has occurred and are the least cost-effective, however can significantly reduce the impact of present and future frauds.
	Examples include investigation, disciplinary procedures, crisis management, recovery.

Source: OAG based on AS 8001:2021 - Fraud and corruption control Clause 2.10

Table 4: Elements of a fraud control system

Entities may not have formally documented their FCS, but it is likely they have several existing controls.

Designing and implementing a robust fraud risk management program will inevitably strengthen an entity's FCS. It is for this reason it is recommended an entity assess their FCS against better practice prior to undertaking the fraud risk management process.

The fraud control standard (Clause 2.10) sets out an approach to developing and implementing an entity's FCS and a structure for documenting it. Appendix 3 is a tool for entities to benchmark their current FCS maturity against the fraud control standard.

Updating the fraud control system documents throughout the fraud risk management process assists entities to monitor their increased maturity.

External threats come from outside an entity and are largely beyond their control. The fraud control standard recommends entities consider the 6 external factors that can impact an organisation, known as the PESTLE model. The model is explained in the table below and a complete tool is provided in Appendix 4:

PESTLE factor	Overview
Political	To identify the political situation of the country, State or local government area in which the entity operates, including the stability and leadership of the government, whether there is a budget deficit or surplus, lobbying interests and local, regional, national or international political pressure.
Economic	To determine the economic factors that could have an impact on the entity including interest rates, inflation, unemployment rates, foreign exchange rates and monetary or fiscal policies.
Social	To identify the expectations of society by analysing factors such as consumer demographics, significant world events, integrity issues, cultural, ethnic and religious factors, and consumer opinions.
Technological	To identify how technology, including technological advancements, social media platforms and the role of the internet more broadly, is affecting or could affect the entity.
Legal	To identify how specific legislation, including industry specific regulations, and case law are affecting or could affect the entity's future operations.
Environmental	To identify how national and international environmental issues are affecting or could affect the entity.

Source: OAG based on AS 8001:2021 - Fraud and corruption control, Clause 2.9

Table 5: External factors that can impact an entity

Operational fraud risks are the fraud risks associated with an entity's day-to-day operations. There will be risks that are common to all entities (e.g. procurement, payroll, asset management) and those that are entity specific (e.g. property development, grant administration, major projects). Operational risks will also include changes in function or activity (e.g. new government initiative, creation of a relief fund in response to a natural disaster). The following section, Fraud risk management process, is focused on managing your operational fraud risks and discusses this in more detail. We also provide further tools in the appendix to assist with better managing them.

3.3 Fraud risk management process

In this section we have mapped out the 6 stages in the risk management process as summarised in Figure 4 above. It is not a linear process; each stage will connect to others at different times throughout the risk management cycle.

We describe the stages and introduce several tools which can be used to assist in developing an effective fraud risk management program. The complete tools are included in the appendices and are available on our website. These tools are not an exhaustive list, there are many tools available (free and for a fee) and entities should determine which ones best suit their needs.

Communication and consultation

To effectively identify fraud risks within an entity's processes and systems, it is essential that the people who best know and run or control the business processes and business area are adequately engaged throughout the fraud risk management process. Entities should also consider if subject matter experts need to be engaged, such as information system security specialists.



Communication and consultation are intended:

"...to assist stakeholders in understanding risk, the basis on which decisions are made and the reasons why particular actions are required." 5

Employees can feel challenged when asked to respond to questions or contribute to discussions about fraud risks – they may feel that considering this issue with them or in their presence is, in effect, calling their integrity into question. Those tasked with the fraud risk management program should keep the people they need engaged and at ease throughout the process to ensure the best outcome.

Communication and consultation	Better practice
Promote awareness and understanding of fraud risks	Implement multimodal training programs specific to fraud risks – "What is a fraud risk"
	Effectively communicate to employees that the objective is to protect the integrity of the entity and employees
Bring different expertise together throughout the process using effective mechanisms	Engage different levels of expertise and experience to bring various perspectives
enective mechanisms	Use a variety of communication methods such as emails, workshops, one-on-one interviews and surveys to obtain a wide range of feedback and opinions
Build a sense of inclusiveness and ownership for process owners	Use fraud risk workshops to obtain "buy in" from process operators and owners
(e.g. one-on-one interviews, focus groups)	Invite all relevant employees, regardless of seniority, to attend a workshop
Obtain sufficient knowledge from relevant stakeholders of business processes to facilitate fraud	Facilitate fraud risk workshops to discuss and map business processes and internal controls
oversight and decision making	Ask attendees to consider "what could go wrong?" in processes they engage with or manage
	Identify areas of fraud risk in a process map that requires internal controls
Engage with relevant stakeholders to obtain feedback and	Structure emails and/or surveys that focus on fraud risks for specific processes
information to support decision- making	Adopt appropriate modes of communication

Source: OAG

Table 6: Better practice examples of the communication and consultation stage

⁵ AS ISO 31000:2018 Risk management - Guidelines Clause 6.2.

One way to enhance communication is by meeting one-on-one to facilitate a better understanding of relevant risk and control issues.

To help with communication and consultation, entities should prepare a communication plan that outlines the intended methods, people and timelines for consultation. This also forms the basis of reporting to any oversight committees on the progress of projects in the fraud risk management program. Examples of methods of communication and consultation are provided in Appendix 5.1.

Scope, context, and criteria

Establishing the scope, context and criteria for the fraud risk assessment is done using the communication and consultation processes outlined above. They will differ for each entity and will be determined by the size and complexity of the process being assessed.

"...Scope, context and criteria involve defining the scope of the process and understanding the external and internal context."6

Case study 1: Example of scope, context and criteria for a risk assessment of selected parts of the Procure to Pay process

Factor	Procure to Pay
Scope	The specific parts of the Procure to Pay process to be assessed are: supplier selection, onboarding vendors, purchase validation (business case, receipt of goods/services) and release of payment.
	 We will engage with the finance business unit and operational staff responsible for purchase orders and validation of receipt of goods/service.
	The entity's risk assessment policy dated 31 January 2020 will be applied in conjunction with the approved fraud risk assessment program dated 30 June 2021.
	As the entity's procurement staff are across the State, we will need to engage in a number of online meetings with potential site visits.
	Timeline:
	o engagement with procurement staff by 30 June 2022
	o identification of risks by 31 October 2022
	 completion of risk register and mapping of risks by 31 December 2022
	 first review to Internal Audit and Risk Committee (IARC) by 28 February 2023
	o second review to IARC by 30 April 2023
	o submission to Board for approval by 31 May 2023.

⁶ AS ISO 31000:2018 Risk management - Guidelines Clause 6.3.

Context Internal factors include: the strategic objectives of the entity are: community focused delivery of services, sound business practices and quality services. A list of the specific goods, services or works to be procured are provided in Annexure A the existing employee level in the Procure to Pay process is sufficient, however, their experience is inadequate. No training has been delivered in identifying indicators of potential fraud • there is no assessment of fraud controls within vendors the entity has policies and processes in respect of independence for supplier selection panels and purchase validation. External factors include: • increasing fraud trends targeting procurement and finance teams (i.e. business email compromise - fake emails impersonating an internal senior person or a vendor) recent known scams in the public domain that have been uncovered. Criteria The below risk criteria are taken from the entity's risk assessment policy dated 31 January 2020. The entity rates likelihood risk on a scale from extremely unlikely to almost certain. Within the Procure to Pay process, rare is conceivable but unlikely, unlikely is conceivable and has occurred in the past but unlikely in the next year. The entity rates consequence risk on a scale from negligible to catastrophic across the following loss factors: financial, reputational, legal, service delivery. Within the Procure to Pay process, negligible has no negative consequence, low disrupts internal non-management process and has no external financial loss, moderate requires corrective action by senior management, potential disciplinary action and minor financial impact etc.

Entities will need to develop a scope, context and criteria for all activities and processes they perform. The CFPC's *Fraud Risk Assessment Leading Practice Guide* provides a strategic profiling tool in support of its recommendation that entities responsible for multiple activities and processes prioritise the areas of the entity that are at higher risk for fraud.

Scope, context and criteria	Better practice
Define the scope of the activity being assessed for fraud risk including objectives and decisions to be made	Clearly document the scope and objective of the process that is being assessed for fraud risks Circulate a decument that sate out the score to all.
prior to commencing any fraud risk assessment	Circulate a document that sets out the scope to all employee participating in the fraud risk assessment
	Break down complex processes into manageable scopes

Scope, context and criteria	Better practice
Establish the context of the fraud risk activity	 Understand the external environment Understand the internal operating environment Reflect the specific environment of the activity to which the fraud risk management process is to be applied
Align the fraud criteria with an overarching risk management framework used to assess all business risks for consistency	Review the entity's existing risk management framework prior to commencing to ensure up-to-date and fit-for-purpose Align consequence and likelihood criteria and the risk rating matrix with existing framework
The fraud risk assessment criteria should reflect the organisation's values, objectives and resources and be consistent with policies and statements about risk management	Review the entity's existing risk management policy to understand the entity's risk appetite

Source: OAG

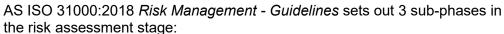
Table 7: Better practice examples of the scope, context and criteria stage

Appendix 5.2 provides a guide on how you could outline your scope, context and criteria.

Risk assessment

Once the scope, context and criteria are established, entities need to assess their fraud risks.

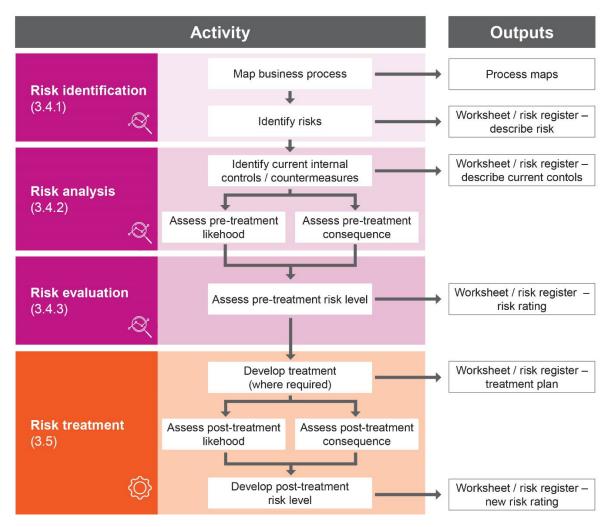
If an entity has a detailed risk assessment approach, then it is logical and likely more efficient to apply that for fraud risks as well.



- risk identification
- risk analysis
- risk evaluation.

The assessment stage is followed by treatment. An overview of the risk assessment and treatment stages is set out below.





Source: OAG based on AS ISO 31000:2018 Risk Management - Guidelines Clause 6.4 and 6.5

Figure 5: Risk assessment and treatment stages overview

Identifying risks

Think like a fraudster. Discover what you don't know.

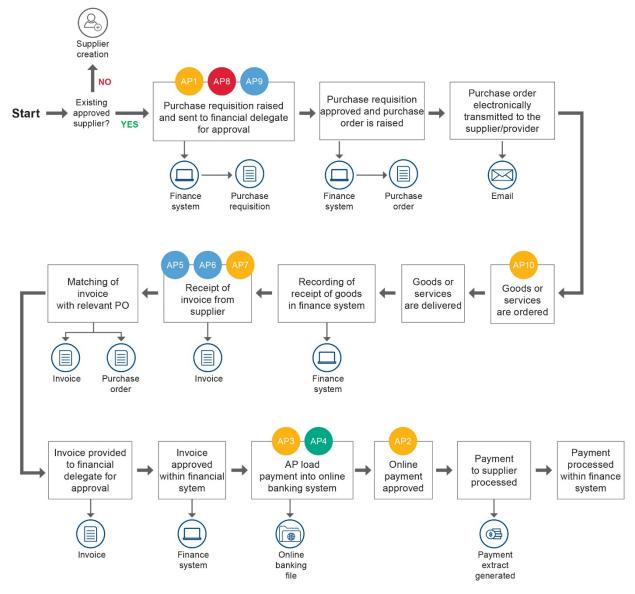
Risk identification involves:

 $^{\prime\prime}$... finding, recognising and describing risks that might help or prevent an organisation achieve its objectives. $^{\prime\prime\prime}$

It is important to avoid the temptation to be defensive and dismiss risks before they have been properly analysed and evaluated.

Identifying fraud risks should be viewed as a creative process. Brainstorm the various fraud schemes that have and could be committed within or against the entity. An effective way to identify fraud risks is to map the process that is being assessed and identify vulnerabilities within the process. Below is an example of an accounts payable process map, sometimes referred to as a flow chart. The coloured circles represent identified fraud risks in the accounts payable (AP) process.

⁷ AS ISO 31000:2018 Risk management - Guidelines Clause 6.4.2.



Source: OAG

Figure 6: Accounts payable process map

A fraud risk assessment should consider common methods used by fraudsters and look for vulnerabilities within the entity's processes and activities. This will involve challenging assumptions about, and existing processes within, an entity to identify gaps and thinking of creative ways to circumvent internal controls.

Common frauds are a good place to start but entities should not stop there. Risk identification needs to be realistic but at the same time entities should remember that even the most far-fetched fraud scheme can occur when the right balance of motivation, rationalisation and opportunity are present. Asking hypothetical questions about how fraud could be perpetrated in a structured and controlled way will put the fraud risk assessment process on the right path.

Finally, a good fraud description will allow you to understand ways to prevent or detect the fraud. One way to identify and describe your fraud risks is to consider who did what and what the result was, also described below as the Actor, Action, Outcome method8:

⁸ Commonwealth Fraud Prevention Centre, Fraud Risk Assessment - Leading Practice Guide.

- actor accounts payable (AP) officer
- action submits and processes fictitious invoice
- outcome payment of invoice results in money going to AP officer's bank account.

Fraud risks that have been identified should be adequately documented on a fraud risk worksheet. Fraud risk worksheets can function as an aid to the risk assessment but also as a fraud risk register and an implementation worksheet.

Appendix 5.3 includes:

- an example of a fraud risk worksheet
- risk assessment and treatment process overview
- key questions you could ask when trying to identify fraud risks
- the CFPC's Actor, Action, Outcome method of describing fraud risks
- an example diagrammatic presentation of assessed fraud risks
- a short summary of fraud risks that are commonly found in the public sector environment. The summary is not intended to be an exhaustive list. The examples in section 2.3 would also be useful in this exercise.

Analysing fraud risks

Once the potential fraud risks within the business unit or process have been identified the next step is to analyse the risks.

Risk analysis is:

"... a detailed consideration of uncertainties, resources, consequences, likelihood, events, scenarios, controls and their effectiveness." 9

Fraud risk analysis requires input from employees within the business unit(s) being assessed and any additional subject matter experts who can add value to the process.

An analysis of each risk includes considering:

- the likelihood of the risk occurring
- the consequence for the entity if it did occur
- resourcing constraints impacting controls
- the effectiveness of existing controls intended to mitigate the risks.

The entity should use its established risk analysis matrix to analyse the likelihood, consequences, and strength of existing controls to assign a risk rating to each fraud risk. It is critical that every business unit within an entity use the same risk analysis matrix to allow for a proper comparison of risks across the entity.

Figure 7 below is an example of a risk assessment matrix that shows the likelihood combined with the consequences risks results:

⁹ AS ISO 31000:2018 Risk management - Guidelines Clause 6.4.3.

				Consequence		
		Negligible	Low	Moderate	Major	Extreme
8	Almost Certain	Medium	High	Very High	Very High	Very High
Likelihood	Likely	Medium	High	High	Very High	Very High
∥≛	Possible	Low	Medium	High	High	Very High
	Unlikely	Low	Low	Medium	High	High
	Rare	Low	Low	Low	Medium	Medium

Source: OAG

Figure 7: Example of a risk assessment matrix

Sometimes an entity undertaking a fraud risk assessment can overestimate the effectiveness of internal controls. One technique to fully assess their effectiveness is to conduct a walkthrough of the relevant process or activity and determine if the controls are currently operating effectively. Applying a sceptical approach to the controls and adopting the mindset of a determined fraudster can help to assess if a control can be overridden or avoided. Internal audit resources can also be helpful in this assessment.

Risk analysis	Better practice
Consider uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness	Detailed documentation of the analysis including reasoning for decisions for example if a risk is determined to be HIGH for consequence document why and what inputs were used
Events can have multiple causes and consequences and affect multiple objectives	Deep dive analysis to identify all causes, both internally, externally and potential consequences
Scrutiny of existing controls	Sufficiently analyse and test existing controls including walk-throughs and penetration testing
	Consider engaging specialists to identify gaps in existing system controls

Source: OAG

Table 8: Better practice examples of the risk analysis stage

Evaluating fraud risks

Once an entity's fraud risks have been analysed, they need to be evaluated against the entity's risk appetite and tolerance. This should be defined in the entity's risk management policy and framework. The evaluation is used to determine if further action is required to reduce identified residual risks to an acceptable level.

Entities' risk appetites and tolerances vary and depend on factors such as the circumstances of a particular program, the cost-benefit of implementing controls to reduce the risk of fraud, resources or other constraints and reputational risk. Risk tolerance is not static and should be determined on a case-by-case basis for each risk identified.

The purpose of risk evaluation is to:

"... support decisions. Risk evaluation involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required." 10

It is important that the evaluation of fraud risks involves detailed input from the process and risk owners and includes senior employees who can consider the cost of countering fraud against the entity's risk tolerance. The evaluation considers the residual fraud risk and should conclude with one of the following outcomes¹¹:

- avoid the risk
- accept the risk
- remove the risk source
- change the likelihood
- change the consequences
- share the risk
- retain the risk.

These conclusions, and links to any supporting documentation, should be included in the fraud risk assessment worksheet.

Risk evaluation	Better practice
Evaluate results from risk assessment	Comparing the results of the risk analysis with the established risk criteria to determine if and where additional action is required
Record and communicate evaluation results	Risk evaluation outcomes are recorded, communicated and then validated at appropriate levels of the organisation

Source: OAG

Table 9: Better practice examples of the risk evaluation stage

Risk treatment

After finalising the risk assessment, the risk treatment process is undertaken. An entity's evaluation of the risks and its risk appetite will determine if the residual risk is at an acceptable level or if treatment is required. Risk treatments can include enhancing existing controls, implementing new controls, or avoiding the risk altogether by no longer undertaking the activity, program or service.



An entity needs to consider how to mitigate the residual fraud risks that remain above the entity's tolerance level. The objective of treating the fraud risk is to reduce the residual risk identified in the assessment to an acceptable level.

¹⁰ AS ISO 31000:2018 Risk management - Guidelines Clause 6.4.4.

¹¹ AS ISO 31000:2018 Risk management - Guidelines Section 6.5.2.

The aim of risk treatment is to:

".. select and implement options for addressing risk."12

An overview of the risk treatment process has been set out in Figure 5.

Some treatments may enhance existing controls or introduce new controls. Fraud controls are specific measures, processes or functions that are intended to prevent or detect fraud events or to enable the entity to respond to them. These would be suitable to address the following outcomes:

- accept the risk
- change the consequence
- change the likelihood
- change both the consequence and likelihood
- share the risk
- retain the risk.

Subject to the entity's risk appetite and tolerance, not every risk will require the development and implementation of treatments.

Risk treatment	Better practice
Determine appropriate risk treatments	 Select risk treatment options with the entity's objectives, risk criteria and available resources Balance the potential benefits against cost, effort or disadvantage of implementation
Document implementation plan	Document the treatment plan outlining the responsibilities, resources and other relevant implementation information in the fraud risk worksheet
Risks that do not have a treatment option	If no treatment options are available or if treatment options do not sufficiently modify the fraud risk, the risk is recorded and kept under ongoing review
Remaining risk is documented	 Inform decision makers and other stakeholders of the nature and extent of the remaining risk after treatment Document the remaining risk and subject to monitoring, review and, where appropriate, further treatment
Consider beyond economic consequences	Justification for risk treatment is broader than solely economic consequences and considers the entity's obligations, voluntary commitments and stakeholder views

Source: OAG

Table 10: Better practice examples of the risk treatment stage

¹² AS ISO 31000:2018 Risk management - Guidelines Clause 6.5.

A useful way to examine your controls is to ensure they are specific, measurable, achievable, relevant and timed (SMART). This model and examples of internal controls that may be applied with a view to change the consequence, likelihood or both are provided at Appendix 5.4.

Monitoring and review

Entities should actively monitor the implementation of fraud risk treatments, because until the new or improved controls are in place, the fraud risk will remain above this tolerance level. Fraud risk owners will be responsible for ensuring the controls are implemented in a timely manner and remain effective. When a new or improved control has been implemented the entity should review the control in practice over time to ensure it continues to be effective.



Further, it is essential that entities have a program to continuously monitor and review their fraud risks. Sometimes only small changes to a business process or function can alter the inherent fraud risk rating, result in the emergence of new fraud risks, or impact the effectiveness of existing controls.

Monitoring and review is:

"... to assure and improve the quality and effectiveness of process design implementation and outcomes." 13

Monitoring and review	Better practice
Monitoring and review takes place during all elements of fraud risk management program	Monitoring and review includes planning, gathering and analysing information, recording results and providing feedback
Monitoring and review progress is reported	Results of monitoring and review are incorporated throughout the entity's performance management, measurement, and reporting activities

Source: OAG

Table 11: Better practice examples of the monitoring and review stage

Recording and reporting

As noted earlier, fraud risks identified through a fraud risk assessment can be integrated into the entity's broader enterprise risk register. Whether entities combine all risks into a single source risk register or maintain a separate fraud risk register, they must be documented and reported. Entities should report to appropriate oversight committees and management including any audit committees which are responsible for overseeing the entity risk management and internal controls.



Risk management process and its outcomes should be:

"... documented and reported through appropriate mechanisms."14

¹³ AS ISO 31000:2018 Risk management - Guidelines Clause 6.6.

¹⁴ AS ISO 31000:2018 Risk management - Guidelines Clause 6.7.

The fraud risk assessment worksheet details several key processes and outcomes that should be documented including the methodology for the risk assessment, the results and the response.

Recording and reporting	Better practice
Detailed recording of fraud risk assessment process	Worksheets include adequate information that demonstrates reason for decisions made and actions taken
Ongoing monitoring and periodic review of the fraud risk management process and its outcomes is planned, and responsibilities clearly defined	 Updates provided to senior management and those charged with governance on progress Monitoring through audit committee Documented responsibilities for undertaking fraud risk management are outlined in the entities' FCS

Source: OAG

Table 12: Better practice examples of the recording and reporting stage

Conclusion

Fraud is a pervasive and growing issue within Australia. Fraud can be initiated by employees or close associates of an entity and, increasingly, by parties with no apparent connection to the entity. It can also involve collusion between internal and external parties.

Historically, the approach of many Australian entities to fraud risk management has been wholly reactive. Entities that embrace adequate and proportionate approaches to managing fraud risks will increase their chance of reducing fraud events.

We encourage entities to use this guide along with the tools and any other available resources when applying AS ISO 31000:2018 - Risk management - Guidelines and AS 8001:2021 - Fraud and corruption control to manage the risk of fraud against their entity. While fraud risks cannot be eliminated, a robust and well-resourced fraud risk management program can minimise the likelihood and consequences of fraud events.

Appendix 1: Glossary

Term	Definition
Better practice guide (BPG)	A fraud risk assessment better practice guide (this report).
Bribery	Offering, promising, giving, accepting or soliciting of an undue advantage of any value (either financial or non-financial) directly or indirectly, and irrespective of location(s), in violation of applicable law, as an inducement or reward for a person acting or refraining from acting in relation to the performance of that person's duties.
Cloud computing	The practice of using a network of remote servers hosted on the internet to store, manage, and process data, rather than a local server or a personal computer.
Close associate	A person with a close connection with the organisation other than an employee (e.g. director, consultant, contractor).
Collusive tendering	The act of multiple tenderers for a particular contract colluding in preparation of their bids – also often referred to as bid rigging.
Conflict of interest	A situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity.
Corruption	Dishonest activity in which a person associated with an entity (e.g. director, executive or employee) acts contrary to the interests of the entity and abuses their position of trust in order to achieve personal advantage or advantage for another person or entity.
Cryptocurrency	A digital currency in which transactions are verified and records maintained by a decentralised system using cryptography, rather than by a centralised authority.
Data theft	Also known as information theft. The illegal transfer or storage of personal, confidential, or financial information.
Enterprise risk	Risks arising from the general operation of an entity that can impact on the entity's ability to meet its objectives (refer also definition of 'risk' below).
FCS	Fraud Control System - a framework for controlling the risk of fraud against or by an entity.
Fraud	Dishonest activity causing actual or potential gain or loss to any person or entity including theft of moneys or other property by persons internal and/or external to the entity and/or where deception is used at the time, immediately before or immediately following the activity.
Identity fraud	Also known as identity theft or crime. It involves someone using another individual's personal information without consent, often to obtain a benefit.
Internal control	Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance that information is reliable, accurate and timely.
Malware	Malicious software intentionally designed to cause disruption to a computer, server, client, or computer network, leak private information, gain unauthorised access to information or systems, deprive user's access to information or which unknowingly interferes with the user's computer security and privacy.

Term	Definition
Nepotism and/or Cronyism	Where the appointee is inadequately qualified to perform the role to which he or she has been appointed. The appointment of friends and associates to positions of authority, without proper regard to their qualifications.
OAG	The Office of the Auditor General.
PESTLE model	Consideration of 6 external environmental factors that can impact an entity, namely the political, economic, social, technological, legal and environmental factors.
Phishing and/or Spear- phishing	Cyber-intrusion. Theft of intellectual property or other confidential information through unauthorised systems access.
Ransomware	Form of malware designed to encrypt files on a device, rendering any files and the systems that rely on them unusable.
Risk	The effect of uncertainty on objectives. An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats.
Risk appetite	The level of overall risk an entity is prepared to accept in pursuing its objectives.
Risk tolerance	The level of risk an entity is prepared to accept in relation to specific aspects of its operation – the practical application of the concept of 'risk appetite' to specific risk categories (relevantly to the subject of this guide, this can include application of an entity's risk appetite to the concept of fraud risk).
Social engineering	A broad range of malicious activities accomplished through human interactions (e.g. psychological manipulation of people into performing actions or divulging confidential information).

Appendix 2: References

Reference

Association of Certified Fraud Examiners, 2022.

Association of Certified Fraud Examiners, Occupational Fraud 2022: A Report to the Nations, 2022.

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Cressy, D., Other People's Money: A Study in the Social Psychology of Embezzlement, Free Press, 1953.

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Department of Justice, Western Australia Government Financial Responsibility Act 2000, 2021.

Department of Justice, Western Australia Procurement Act 2020, 2021.

Department of Justice, Western Australia Public Interest Disclosure Act 2003, 2017.

Department of Justice, Western Australia Public Sector Management Act 1994, 2022.

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Enacting legislation for GTEs and other government bodies

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Office of the Auditor General Western Australia, Fraud Prevention and Detection in the Public Sector, June 2013.

Public Sector Commission WA, Integrity Strategy for WA Public Authorities, 2019.

Standards Australia, AS 8001:2021 – Fraud and corruption control, June 2021.

Standards Australia, AS ISO 37001:2019 Anti-bribery management system, 2019.

Standards Australia, AS ISO 31000:2018 Risk management - Guidelines Risk Assessment, 2018.

Standards Australia, SA SNZ HB 436-2013 Risk Management Guidelines (companion to AS ISO 31000:2018), 2013.

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Appendix 3: Fraud control system benchmarking tool

requirements and guidance set out in the standard, in effect, a benchmarking of the entity's fraud control program against the requirements and An important component of the periodic assessment of the efficacy of an entity's FCS is to determine whether an entity's FCS aligns with the guidance of the standard. An organisation's performance against each element of the standard can be assessed in accordance with a 5-element rating scheme as set out below.

Alignment with AS 8001:2021 – Fraud and corruption control best practice model	Rating
Meeting better practice	5
Approaching better practice	4
Minimum acceptable level	င
Inadequate but some progress made towards better practice	2
Inadequate - no progress towards achieving better practice	~

The following are the relevant steps required to prepare and deliver an FCS benchmarking project:

Step 1	Consult and collaborate across the entity in a consideration of the FCS benchmarking model and determine which, if any, elements of the model are not relevant to the entity's own circumstances, make necessary adjustments to the model in preparation for analysis. ¹⁵
Step 2	Gather all entity documentation pertaining to the control of fraud risk within the entity – this would include: • current FCS documentation
	 current governing body charter
	 most recent fraud risk assessment
	 the entity's disciplinary procedures
	 recent analysis of awareness raising activities within the entity
	 most recent external environmental scan analysis

¹⁵ e.g. requirements and guidance of AS 8001:2021 Section 3.6 Performance Based Targets may not be relevant to public sector entities and could therefore be removed from the model.

any receiall integricurrent w	
	any recent internal audit reports in relation to fraud risk management
	all integrity related documentation
	current workforce screening policy
• current c	current cybersecurity / information system management policies
a summa such as r such as r vulnerabi	a summary of the last 5 years fraud incidents covering results could provide insight into common activities, themes and weaknesses. Details such as number of events per year, fraud theme (procurement, CC etc), quantum, fraud substantiated Y/N, vulnerability identified, how vulnerability treated, date vulnerability treated
• reports o	reports of analysis of internal control efficacy including pressure testing transactions.
Consult broadlessed of A	Consult broadly across the entity to arrive at a realistic and reliable assessment of the entity's current performance against each relevant element of AS8001:2021. Consultation would include:
• if a releva	if a relevant policy or procedure is currently in place or is proposed
Step 3 • the frequ	the frequency of review of all relevant policies and procedures
if there is	if there is adequate resourcing to ensure that the FCS is properly and effectively administered
the culture	the culture within the entity in terms of adherence to the key elements of the FCS.
Step 4 Collaborate terms of its o	Collaborate with relevant system and process owners to arrive at a rating on a scale of 1 to 5 for each element of the FCS being assessed in terms of its current alignment with AS 8001:2021.
Consult bros Step 5 system and alignment w	Consult broadly within the organisation in relation to initiatives currently in train for implementation in the future, collaborate with relevant system and process owners to arrive at a rating on a scale of 1 to 5 for each element of the FCS being assessed in terms of its future alignment with AS 8001:2021 on the assumption that the initiative is fully implemented.
Step 6 Enter scores	Enter scores into the model and review the output chart.
Step 7 Present to the	Present to the relevant oversight committee within the entity.
Step 8 Implement re	Implement remedial action required for the entity to better align with the better practice model per AS 8001:2021.
Step 9 Monitor the	Monitor the ongoing efficacy of the FCS in light of this analysis over time.

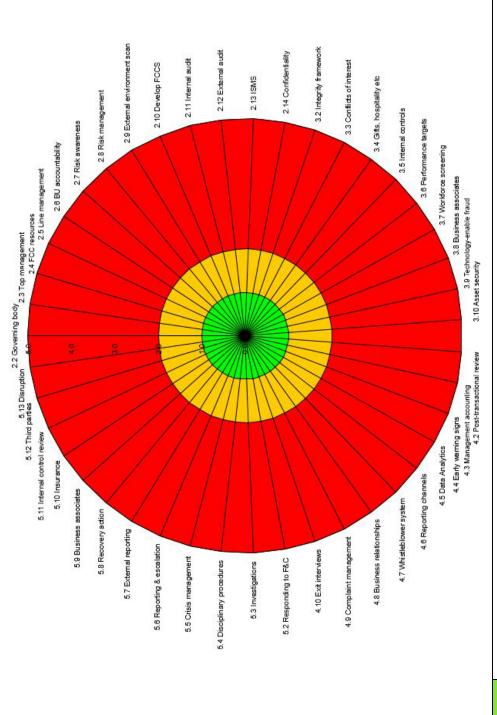
Presentation of the benchmarking analysis

The outcome of this analysis can be usefully presented in a variety of tabular or graphical formats. The way in which the benchmarking analysis results are presented will depend on the needs of the entity. One particularly visual way of presenting the outcomes of the benchmarking analysis is by way of a 'spider-web' diagram as shown below.

A Microsoft Excel tool is provided on our website with detailed instructions to assist in the preparation of this analysis and production of the spider web diagram is detailed below.

showing improvement over time. For example, if a spider web diagram depicting the current and anticipated alignment of the entity's FCS with AS 8001:2021 is presented to each meeting of the relevant oversighting committee (e.g. an audit committee) the committee would be able to The spider web diagram is particularly useful for presenting current and future state alignment of an entity's FCS with AS 8001:2021 and for efficiently monitor progress against action items initiated to address identified gaps.

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The green area	The green area Represents the entity's current alignment with the requirements and guidance of AS 8001:2021.
The amber area	Represents the entity's anticipated future alignment with the requirements and guidance of AS 8001:2021 once initiatives currently in train are fully implemented. Theoretically, the amber area should progressively turn to green over the projected implementation timeframe.
The red area	Represents the current 'gap' between either the current alignment (green) or anticipated future alignment (amber) with the requirements and guidance of AS 8001:2021.

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Appendix 4: External threat assessment tool

Assessment of external threats using the PESTLE model requires a rigorous 7-step process as follows:

Step 1: Consult and collaborate across the entity, make necessary adjustments to the worksheet in preparation for analysis.

Step 2: Gather all documentation pertaining to external threats in the environment in which the entity operates or is considering operations.

Step 3: Consider the most recent fraud risk assessment conducted in relation to the entity's operation.

Step 4: In collaboration with risk and process owners, consider the six PESTLE factors that could impact the entity's fraud risks.

Step 5: Identify external factors that need to be addressed by the entity to more effectively control fraud risks.

Step 6: Develop risk treatments for risks that need to be further mitigated and adjust in fraud risk assessment and fraud control system.

Step 7: Review external threats periodically.

The following is an example worksheet for assessing external threats against an entity using the PESTLE model.

PESTLE factor	Example questions to consider	External threat assessment	Action to be taken (risk assessment, risk treatments, fraud control system)
Political			
To identify the political situation of the country in which the organisation operates, including	1. Has there been a recent change in government (at local, state or federal level)?	Insert text	Insert text
the stability and leadership of the government, whether there is a budget deficit or surplus, lobbying interests and international political pressure.	2. Is there any anticipated change in government funding foreshadowed? How will a change in funding impact the entity's fraud exposure (e.g. an increase in funding for grants or a decrease in funding for administration)?		
	 Is there any legislative change anticipated in relation to employment law that may impact the entity's ability to manage its fraud exposure? 		

PESTLE factor	Example questions to consider	External threat assessment	Action to be taken (risk assessment, risk treatments, fraud control system)
	 Is there a likely increase or reduction in government mandated regulation? 		
	5. If yes, will that give rise to an increase in the entity's fraud exposure (either internally or externally initiated fraud)?		
	6. Are there any other political factors the entity should consider?		
Economic			
To determine the economic factors that could have an impact	 Are all economies in which the entity operates currently stable? 	Insert text	Insert text
interest rates, inflation, unemployment rates, foreign exchange rates and monetary or fiscal policies.	 If there are indications of instability in an economy in which the entity operates, to what degree will this impact the risk of fraud within or against the entity? 		
	 Are there any key economic decisions (either recently implemented or in contemplation) likely to have an impact on the entity's fraud exposure (e.g. rising interest rates, a change in taxation rates)? 		
	4. Is there currently significant pressure on wages and salaries that could act to reduce disposable income of the general population and to what degree could that impact on the entity's fraud exposure?		
	5. Is there likely to be a change in employment levels in the economy in the next three to five years?		

PESTLE factor	Example questions to consider	External threat assessment	Action to be taken (risk assessment, risk treatments, fraud control system)
	 Is there likely to be a change in working arrangements that may increase the risk of fraud within the entity (e.g. remote working, flexible working arrangements)? 		
	 Are there any other economic factors the entity should consider? 		
Social			
To identify the expectations of society by analysing factors such as consumer demographics, significant world events, integrity issues, cultural, ethnic and religious factors, and consumer	 Has there been a marked decline in integrity standards within the broader community or is this anticipated going forward? How could these changes impact the entity's fraud exposures in the future? 	Insert text	Insert text
opinions.	 Is it likely that the entity will only be able to attract adequate human resource is by offering work arrangements that are not sustainable for the entity? 		
	 Are there any other social factors they should consider? 		
Technological			
To identify how technology, including technological	 Does the entity have a heavy reliance on technology internally? 	Insert text	Insert text
platforms and the role of the internet more broadly, is affecting or could affect the organisation.	 Does the entity have a heavy reliance on technology to interact with external parties including business associates, customers, clients 		

PESTLE factor	Example questions to consider	External threat assessment	Action to be taken (risk assessment, risk treatments, fraud control system)
	and the general public?		
	 Does the entity embrace leading edge cyber- security? 		
	 Does the entity have strict policies governing the use of its IT equipment by the workforce for personal purposes? 		
	Does the entity have strong controls over the use of technology in the course of remote working?		
	 Does the entity closely monitor developments in technology-enabled fraud? 		
	7. Are there any other technological factors that the entity should consider?		
Legal			
To identify how specific legislation, including industry	 Does the entity have a strong compliance function? 		
specfilc regulations, and case law are affecting or could affect the organisation's future operations.	 Does the entity have a strong sense of its own duties of integrity when interacting with external parties (i.e. is there a risk of the entity itself being accused of fraudulent or other illegal conduct)? 		
	 Are there indicators of significant change in the regulatory landscape affecting the entity? 		
	 Is the entity aware of its vicarious liabilities in relation to the conduct of members of its own 		

PESTLE factor	Example questions to consider	External threat assessment	Action to be taken (risk assessment, risk treatments, fraud control system)
	workforce?		
	Are there any other legal factors that the entity should consider?		
Environmental			
To identify how local, national and international environmental issues are affecting or could affect the organisation	 Does the entity operate in circumstances where there is a likelihood of a high environmental impact? 		
	 If so, does this give rise to any raised risk of manipulation of financial or non-financial reporting? 		
	 Are there any other environmental factors that the entity should consider? 		

Appendix 5: Tools to support the fraud risk management process

A5.1 Communication and consultation tool

fraud controls relating to their risks. This may be because a control owner is experiencing staffing or funding constraints or they lack the requisite expertise. In these circumstances the person tasked with performing the fraud risk program can assist Fraud risk owners can sometimes encounter problems with those responsible for developing, implementing and maintaining through:



- requesting progressive pieces of work
- fostering productive linkages between parties responsible for fraud control
- providing expert advice to stakeholders
- seeking strategic support from the senior staff to formulate solutions to impediments at the operational or program level.

The table below describes some methods for communication and consultation across an entity.

Structured one-on-one discussion with the process / risk owners	Speak with relevant business units – the people who work with the systems and processes every day. Meet one-on-one to facilitate an enhanced understanding of relevant risk and control issues.
Convene focus groups with process and risk owners and stakeholders	Facilitate detailed discussion of fraud risks with focus groups along with one-on-one meetings as an effective way to identify risks, internal controls that should mitigate those risks, whether they are operating as intended (think like a fraudster), assessing risks and developing effective risk treatments.
Seek input on fraud risk matters from across the entity	Invite the entire workforce to provide their input in relation to the entity's fraud exposures in an online survey.
Regular reporting to the project management committee	A project to manage fraud risk should be subject to a rigorous program of two-way communication between the oversight committee and the practitioner/team tasked with the project.
External communication and consultation	The project committee and the team responsible for delivering the project should consider the benefits of communication and consultation with parties external to the entity such as regulators, subject matter experts and peer organisations.
Reporting to the audit and risk committee	It is important for an audit and risk committee to be informed of developments in relation to fraud risks because they are responsible for overseeing the entity's risk management and internal controls.



A5.2 Scope context and criteria tool

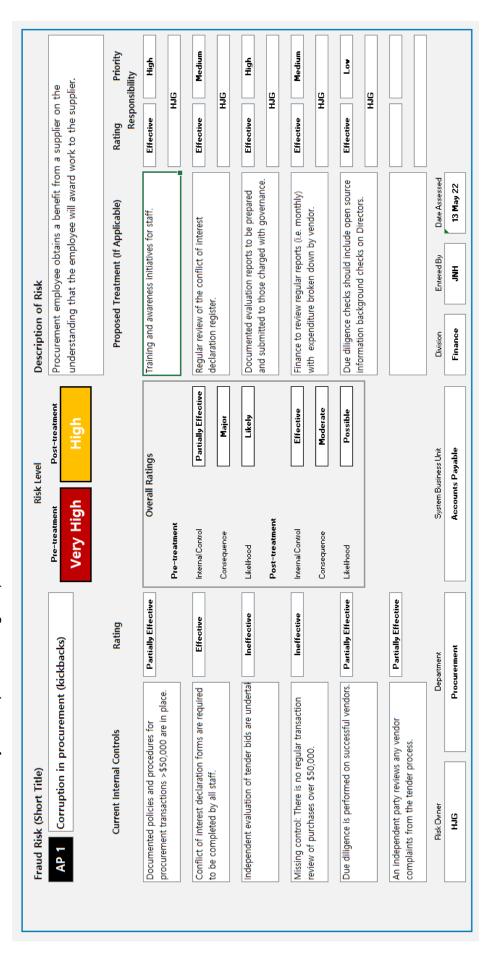
Factor	Definition	Fraud risk assessment "XX Process"
Scope	The boundaries	 The specific parts of the XX process to be assessed for fraud risks.
	fraud risk	 The business units and operational teams involved in the processes to be assessed.
	assessment will take place.	 Tools to be used in the fraud risk assessment.
		 Logistical considerations, milestones and timelines for completing the fraud risk assessment.
Context	The internal and	Internal factors may include:
	external lactors influencing the	 The strategic objectives of the entity and how this influences the XX process.
	environment the entity operates in.	 The existing employee level in the XX process and their experience, as well as their level of training in identifying indicators of potential fraud.
		External factors include:
		 Increasing fraud trends targeting XX process.
		 Recent known scams in the public domain that have been uncovered.
Criteria	Likelihood and consequence criteria aligned to an entity's existing	 Likelihood criteria is a rating scale (i.e Extremely unlikely to Almost certain) set by the entity to identify the expected frequency of a fraud risk in the XX process being realised, both with no internal controls in place (inherent) and existing controls in place (residual).
	risk framework that can be used to rate fraud risks identified in the fraud risk	 Consequence criteria is a rating scale (Low – Catastrophic) across a number of defined loss factors (i.e. financial damage, reputational damage, legal damage), to identify the expected impact of a fraud risk in the XX process being realised both with no internal controls in place (inherent) and existing controls in place (residual).
	assessment.	What is acceptable frequency / consequence.



A5.3 Risk assessment tools

A5.3.1 Example fraud risk assessment worksheet

A fraud risk assessment worksheet can be used to document all relevant information for each risk identified and assessed. Having applied the worksheet for this purpose it can also then be used as a risk register (alternatively, identified and assessed fraud risks could be included in the entity's enterprise risk register).



worksheet is intended to build over time as the entity works its way through the identification, analysis, evaluation and treatment development The following is a short summary of the information that would be recorded on each risk assessment sheet (note that much of the information referred to in the following table will not have been prepared in the risk identification stage when the fraud risk worksheet is first created. The phases). As noted above, each identified risk should be recorded on a separate risk assessment worksheet. The risk assessment worksheet can then be used as the entity's register of fraud risks. Alternatively, identified and assessed fraud risks can be recorded in the entity's enterprise risk

Data field	Information to be recorded (for each risk)
Fraud Risk Number	A reference number unique to each risk – the risk number is used in all outputs of the risk assessment process.
Fraud Risk (Short Title)	Short description of the risk that is generally used to identify the risk being discussed in relevant outputs.
Description of Risk	A more detailed outline of the risk consistent with the short title.
Risk Owner	The individual or position within the business unit who has primary responsibility for the business systems relevant to the identified fraud risk.
Department	The department to which the business unit belongs (see below).
System Business Unit	The business unit that has most control of the business systems and processes relevant to the identified risk.
Entered By	The individual or position who entered the fraud risk particulars into the risk assessment worksheet.
Date Assessed	The date on which the worksheet was populated.
Current Internal Controls	A short active title / description of each existing internal control (e.g. "System controls only allow limited authorised users to change bank accounts") and a short statement as to how the internal control mitigates the risk.
Current Internal Controls Rating	A rating on an appropriate scale (i.e. "Ineffective", "Partially Effective" or "Effective") of the effectiveness of each internal control on mitigating the risk.
Proposed Treatment (If Applicable)	Treatments the entity proposes to take to strengthen the existing internal control framework and reduce the risk rating to an acceptable level.
Proposed Treatment (If Applicable) Rating	A rating on an appropriate scale (i.e. "Ineffective", "Partially Effective" or "Effective") of the effectiveness of each treatment on mitigating the risk.
Proposed Treatment Priority	The proposed priority of the treatment.
Overall Ratings – Pre-treatment Internal Control	A rating on an appropriate scale (i.e. "Ineffective", "Partially Effective" or "Effective") of the overall effectiveness of the existing internal control framework on mitigating the risk.

Data field	Information to be recorded (for each risk)
Overall Ratings – Pre-treatment Likelihood	A rating on an appropriate scale (i.e. "Almost Certain" to "Rare") of the likelihood of a risk being realised with the existing internal control framework.
Overall Ratings – Pre-treatment Consequence	A rating on an appropriate scale (i.e. "Extreme" to "Negligible") of the consequence of a risk being realised with the existing internal control framework.
Overall Ratings – Post-treatment Internal Control	A rating on an appropriate scale (i.e. "Ineffective", "Partially Effective" or "Effective") of the overall effectiveness of the post-treatment internal control framework on mitigating the risk.
Overall Ratings – Post-treatment Likelihood	A rating on an appropriate scale (i.e. "Almost Certain" to "Rare") of the likelihood of a risk being realised with the post-treatment internal control framework.
Overall Ratings – Post-treatment Consequence	A rating on an appropriate scale (i.e. "Extreme" to "Negligible") of the consequence of a risk being realised with the post-treatment internal control framework.
Overall Risk Rating Pre-treatment	A rating on an appropriate scale (i.e. "Very High" to "Low") of the fraud risk level by reference to the risk matrix (taking into account the assessed effectiveness of pre-existing internal controls).
Overall Risk Rating Post-treatment	A rating on an appropriate scale (i.e. "Very High" to "Low") of the fraud risk level by reference to the risk matrix taking into account the assessed effectiveness of the post-treatment internal control framework.



Worksheet / risk register --Worksheet / risk register --Worksheet / risk register --Worksheet / risk register – describe current contols Worksheet / risk register treatment plan new risk rating Process maps Outputs describe risk risk rating A5.3.2 Risk assessment and treatment process overview Assess post-treatment Assess pre-treatment consequence conseduence Assess pre-treatment risk level controls / countermeasures Develop post-treatment Map business process Identify current internal Develop treatment (where required) Identify risks risk level Assess post-treatment Assess pre-treatment **Activity** likehood likehood (Ĉ) Ø Ø Ø Risk identification Risk evaluation Risk treatment (3.5) Risk analysis (3.4.2)(3.4.3)(3.4.1)

Source: OAG based on AS ISO 31000:2018 Risk management - Guidelines Clause 6.4 and 6.5



A5.3.3 Key fraud risk identification questions

Some key questions to ask when trying to identify fraud risks are listed below.

Key questions that need to be asked in identifying fraud risks

If I wanted to steal from this entity, knowing what I know about the current business systems process and internal controls, how would I do it?

If I wanted to get some sort of improper financial or non-financial advantage out of my position, how would I do it?

What do I know about this process that nobody else knows or checks?

Who has sole control over specific systems or processes that nobody else has visibility over?

What forms of payment does this process have – is it cash, card, EFT etc?

How can this process be made easier for the process owner at the expense of the entity?

A5.3.4 Commonwealth Fraud Prevention Centre's 'Actor, Action, Outcome' method of describing fraud risks16

An effective method for describing fraud risk is to consider the actor, action and outcome. The level of detail is important when describing fraud risks. Without sufficient detail it becomes difficult to consider the factors (i.e. actors and actions) that contribute to the fraud risk and how fraud controls will specifically address these contributing factors.

An example of a poorly defined fraud risk from the invoice payment process provided would be "Fraud in the invoice payment process".

The following are more accurately defined fraud risks from the same example:

- "a service provider (Actor) submits a falsified invoice (Action) to receive a payment for services not provided (Outcome)"
- "a service provider (Actor) coerces an official to approve and/or process a falsified invoice (Action) to receive a payment for services not provided (Outcome)"
- "an official (Actor) manipulates the finance system (Action) to divert an invoice payment to their own bank account (Outcome)".

Judgement should be applied in striking a balance between capturing sufficient detail and documenting a manageable number of fraud risks. This could be achieved by combining similar risks and clearly documenting the various contributing factors (actors and actions)

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¹⁶ Commonwealth Fraud Prevention Centre 'Fraud Risk Assessment – Leading Practice Guide'.

The description can help with an entity's assessment of its fraud risks and how it considers ways in which to control it. Some of these controls may already exist and some may be new.

For example, an entity might limit the opportunity for an accounts payable officer to submit and processes a fictitious invoice that pays into an employee's account by:

- splitting the authorising powers (submit and process)
- segregation of duties between invoice entry and payment authority
- validating the invoice details (fictitious invoice)
- third party verification of goods/services being received
- check supplier details in your supplier master file are an exact match to public records (e.g. Australian Business Register)
- cross-checking internal records (employee account)
- compare bank accounts in supplier payment file against employee bank accounts.

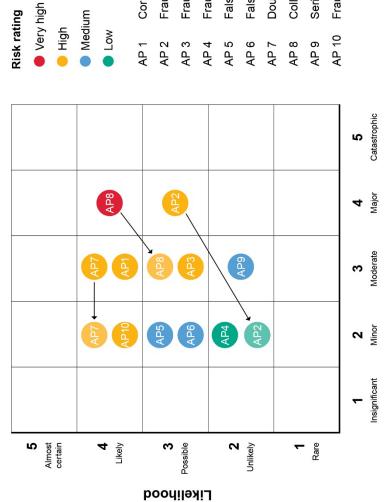
Entities can link each of the above controls back to distinct parts (actor, action, outcome) of the fraud description.

A5.3.5 Example diagrammatic presentation of assessed fraud risks

It can be useful to present identified and assist fraud risks in diagrammatic form.

PR-1 is due to the introduction of new or revised internal controls that will reduce the consequence of the risk if it did occur (although in this implementation of a treatment plan introducing new or revised internal controls / fraud controls. The change in rating in relation to risk accounts payable related fraud risks. Diagrammatic analysis is also useful to show the projected change in risk rating as a result of The following example shows the relative ratings of likelihood and consequence and the resulting overall risk rating for ten example the likelihood remains unchanged).

Accounts payable



High

Medium

Low

AP 1 Corruption of the procurement process (kick-backs)

AP 2 Fraudulent alteration of EFT upload file

3 Fraudulent change to existing vendor masterfile record (internal)

AP 4 Fraudulent change to existing vendor masterfile record (external)

AP 5 False invoicing (internal)

AP 6 False invoicing (external)

AP 7 Double invoicing (initiated by supplier/vendor)

AP 8 Collusive tendering (external)

AP 9 Serious/unresolved conflict of interest

AP 10 Fraudulent use of the corporate purchasing card (personal benefit)

Conseduence

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A5.3.6 Example public sector fraud risks

The following is a short summary of fraud risks that are commonly found in the public sector environment. This summary is not intended to be an exhaustive list, but it can be used as a 'thought provoker' in the identification of operational risks types facing the entity being assessed.

Accounts payable fraud	
False invoicing (creation of a fictitious vendor)	A fictitious vendor is created in the finance system to which payments for false invoices are made for goods/services not ordered and not delivered (typically fraud of this type involves personnel within the entity but it can be perpetrated at times by external parties of the target entity's workforce)
Fraudulent change to vendor master file	Fraudulent change to the entity's vendor master file (i.e. change of bank details to divert legitimate vendor payments to an account controlled by the perpetrator) – this can be done by a person internal to the entity, a person external to the entity or by collusion between internal and external persons
Online banking fraud	Manipulation of vendor or other payments in the online banking system immediately prior to execution of the payment file in the entity's online banking system – the fraudulent manipulation of the online payment file is concealed by making false entries in the entity's accounting records
False invoicing (existing vendor)	Manipulation and processing of fraudulent payments for invoices apparently rendered by a legitimate vendor but, in fact, fraudulently generated and issued by the perpetrator who is generally a member of the entity's own workforce
Duplicate payments for the invoices already settled	More than one payment is made for the same invoice – this can be initiated inadvertently by a vendor who issues the same invoice twice in error but the vendor then fails to report the double receipt and fraudulently converts the duplicate payment

Procurement and tendering	
Corruption of the procurement process (involving personnel within the entity)	Corruption involving an employee of the entity and a vendor in the selection of a winning bid or tender often involving bribery / kickbacks but often motivated by personal or family association between the bidder and the entity's employee without direct financial reward – corruption can involve provision of a confidential bid price, contract details or other sensitive information to gain an advantage for one tenderer over other tenderers
Bid rigging (excluding personnel within the entity)	Collusive tendering between multiple bidders for the same contract for mutual advantage (no involvement of the entity's personnel)

Procurement and tendering	
Conflicts of interest	Undeclared association between an employee of an entity and a tenderer giving rise to an actual or perceived bias in awarding of a contract
Improperly receiving hospitality, gifts and benefits	An employee receiving or soliciting hospitality, gifts or benefits from a vendor or potential vendor hoping to gain a commercial advantage in doing so – depending on the circumstances, this behaviour may constitute fraud

Falsification and manipulation of	Falsification and manipulation of claims for work-related expenditure
Use of the entity's funds for personal expenditure	Claiming employee expenses for business-related expenditure not incurred or incurred for personal use or benefit (supported by false or inflated receipts / invoices)
Double-dipping	Claiming multiple reimbursements for the same expenses or claiming for expenses paid personally using receipts for purchases already made via another of the entity's reimbursement systems

Diversion of incoming funds	
Accounts receivable fraud	Redirection of incoming receipts to a spurious account followed by write-off of accounts receivable balance
Unauthorised discounts	Processing unauthorised discounts for early payment of invoices where the discount value is fraudulently transferred to the employee's own bank account
An authorised application of unknown receipts	Funds can be received by an entity where the source of the funds is unknown and the funds are allocated to a suspense account pending rectification – a possible fraud involves the transfer of part of the balance of the suspense account to an employee's own benefit with a manipulation of the accounting system to conceal the theft
Inflating invoice value	Inflating the value of an invoice raised by the entity with receipts in payment of the invoice directed to a spurious account controlled by the staff member concerned who then redirects the correct (reduced) value of the invoice to the entity's correct account
Vendor overpayment	Deliberately overpay a vendor in payment of an invoice for goods or services validly received, claim a refund for the overpayment and then direct the remittance to a spurious bank account
Theft of cash all funds received	Fraudulently failing to record receipt of cash received and then misappropriate for own benefit

Payroll	
Timesheet fraud	Fraudulent submission of falsified timesheets for casual employees who did not work with diversion of resulting remuneration generated to own account
Fraudulent alteration of remuneration rates	Alteration of remuneration rates (salaries or hourly rates) in the payroll system in relation to the employee making the change or for another employee in exchange for personal benefit
Ghost employee fraud	Fabrication of fictitious employees on the payroll with remuneration paid to own account
Fraudulently failing to record personal leave	An employee taking personal leave (annual, long-service, sick or carer's leave) without recording the leave in the HR system
Worker's compensation fraud	Worker's compensation fraud – fraudulent claims for injuries not sustained

Assets and Inventory	
Asset theft	Theft of the entity's assets, including computers and other IT related assets
Information theft	Theft or abuse of proprietary or confidential information (customer information, intellectual property, pricing schedules, business plans, etc)
Unauthorised private use of employer property	Use of employer property for personal use or benefit
Cash theft	Theft of petty cash

Manipulation of financial reporting	bu de la companya de
Fraudulent manipulation of an entity's financial reporting	Fraudulent manipulation of financial reports in order to make it appear that a business entity has performed better (in financial or non-financial terms) than it has actually performed – this can be motivated by a need to demonstrate a certain level of personal performance in order to secure a performance bonus but may also be driven in the public sector by the need to meet political expectations

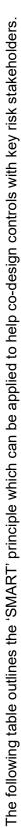
Cyber-borne attack	
Business email compromise	Emails impersonating vendors or an executive instructing payment to be made to a spurious bank account or a change to existing bank details
Phishing emails	Emails designed to dupe employees into providing personal information (i.e. by clicking on a link or opening an attachment)
Malware	Installing malware onto a computer or computer system within the entity which then issues fraudulent instructions (e.g. to change the bank account of a vendor in the vendor masterfile or change the payroll bank account of one or more employees)

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A5.4 Risk treatment tools

A5.4.1 SMART principle for co-designing fraud controls¹⁷

Think about the fraud risk you have described and ways in which you might be able to prevent, monitor or detect the exploitation.



Specific	The control should have a clear and concise objective. They should also be well defined and clear to anyone with a basic knowledge of the work. Consider: who, what, where, when and why.
Measurable	The control and its progress should be measurable. Consider:
	What does the completed control look like?
	 What are the benefits of the control and when they will be achieved?
	• The cost of the control (both financial and staffing resources).
Achievable	The control should be practical, reasonable and credible and should also consider the available resources. Consider:
	• Is the control achievable with available resources?
	Does the control comply with policy and legislation?
Relevant	The control should be relevant to the risk. Consider:
	 Does the control modify the level of risk (through impacting the causes and consequences)?
	 Is the control compatible with the entity's objectives and priorities?
Timed	The control should specify timeframes for completion and when benefits are expected to be achieved.

¹⁷ Commonwealth Fraud Prevention Centre 'Fraud Risk Assessment – Leading Practice Guide'.

A5.4.2 Example internal controls that may be effective in controlling fraud risks

The following is a short summary of internal controls that experience has shown may be effective in controlling fraud risks in each of the categories contemplated in A5.3.6 above.

each WA public sector entity when undertaking a targeted fraud risk assessment. It is anticipated that these internal controls may be effective in Once again, this is not intended as an exhaustive list and is intended to promote consideration of current and possible internal controls within controlling fraud by:

- preventing a fraudulent transaction from being processed
- quickly detecting a fraudulent transaction after it has been processed thereby preventing any further transactions and minimising loss
- assisting an entity to respond to fraud incidents that have been detected.

The internal controls set out below can be used to:

- identify internal controls already in place during the risk analysis phase of the risk assessment
- identify internal controls that may be useful in further mitigating fraud risk in the risk evaluation phase of the risk assessment.

Accounts payable fraud

- Separate procurement and payment functions
- Separate handling (receipt and deposit) functions from record keeping functions (recording transactions and reconciling accounts)
- Require reconciliation to be completed by an independent person who does not have record keeping responsibilities
- Monitor the entity's financial activity, compare actual to budgeted revenues and expenses
- Require procurement and accounts payable employees to take leave of a minimum duration (e.g. two weeks at a time) with another member of the team performing their role in their absence
- If the entity is so small that duties cannot be separated, require an independent check of work being done supplemented by appropriate and effective data analytics and other reviews appropriate to the entity's situation

Procurement and tendering

- Implement a tendering / contracting panel made up of independent personnel (i.e. unconnected to the procurement processes), to oversight the awarding of contracts
- Standard contract conditions and specifications to be used with variations to be approved by senior management
- Use evaluation criteria as agreed by the contract panel prior to tendering
- Contract terms and conditions should be those of the purchasing department and not subject to change without the written approval of senior management
- Clear audit trails with written records including formal authorisation of changes to original documentation
- Independent post-transactional review of a substantial sample of tendering and contracting transactions with a particular focus on high-risk transaction types
- Splitting of contacts should not be permitted unless authorised by senior management
- Management reviews of the reasonableness and competitiveness of prices
- Ensure contractors with a poor performance record are removed from the approved supplier's list

Falsification and manipulation of claims for work-related expenditure

- Limit the number of entity issued purchasing cards and users
- Set account limits with purchasing card providers (value, items that can be purchased etc.)
- Require employees with entity issued purchasing cards to submit itemised, original receipts for all purchases followed by lodgement of hard copy supporting documentation •
- Independent rigorous examination of credit card transactions each month including detailed review of relevant receipts, invoices and other supporting documentation

Falsification and manipulation of claims for work-related expenditure

- Periodic review of a sample of hardcopy supporting documentation
- Monitor the entity's financial activity, compare actual to budgeted revenues and expenses
- Require an explanation of significant variations from budget

Diversion of incoming receipts

- Send official notification to all regular providers / suppliers with particulars of the entity's bank account with statement that this is the only account to which refunds should be remitted
- Independent post-transactional view of a sample of invoices rendered to identify any manipulations
- Independent post-transactional review of emails between accounts payable / accounts receivable personnel within the entity and customers / clients to determine if there is any indication of manipulation of invoices raised or payments made

Payroll

- Payroll system procedures and training
- Segregation of duties preventing payroll batch file payments or payroll master file changes without two approvers
- Limited system administrator access to the payroll system
- System controls to prevent changes to pay rates or salaries without approval
- Changes to payroll masterfile (e.g. particularly for bank account numbers) only available to employees via an HR 'kiosk' in the HR system system unable to process a change of bank account number outside of the HR kiosk
- HR system to automatically generate a confirmation email to the employee where there has been a change of masterful data
- Rigorous approval process for creation of new employees in the payroll system

<u> </u>	Payroll
•	Timely notification process from HR to Payroll of employees due to resign from the entity
•	Periodic review of payroll system audit logs
•	Management review of variance reports from previous payroll run to confirm reasons for significant differences
•	Employee background checks for new hires with access to the payroll system – this should include criminal record screening and specific questions about any previous integrity concerns / disciplinary findings etc.
•	Mandatory password changes for those with access to the payroll system to a suitable strength and complexity
•	Physical security of computers used by payroll staff with direct system access
•	Electronic timesheet systems and approval process for overtime
Ã	Assets and inventory
•	Physical security of desirable assets (i.e. laptops, IT equipment)
•	Password protection and remote wiping capability in the case a laptop is lost or stolen
•	Regular stocktakes of assets and inventory and updating asset registers
•	Security of cash (i.e. petty cash) and gift vouchers in locked tins or a safe
•	Tracking systems for assets and approval process for transfer of location
•	Maintain vehicle logs, listing the dates, times, mileage or odometer readings, purpose of the trip, and name of the employee using the vehicle

Σ	Manipulation of financial reporting
•	Active engagement with entity's external auditor in relation to the annual audit (i.e. working collaboratively with the auditor to identify any manipulation of the financial reporting)
•	Analysis to identify unusual activity
•	Detailed review of journal and other adjustments to the general Ledger with a focus, as a minimum, on high value transactions
ပ်	Cyber-borne attack
•	BitLocker protection of all IT assets to ensure security of data
•	Access to databases/systems require unique user logon identification and password authentication
•	Document authorisation that is needed to establish accountability and issue, alter, or revoke user access
•	Prohibit shared user logon IDs and user logon IDs and passwords
•	Set database user access permissions that are based on the principles of privilege and separation of duties
•	Restrict access to servers and office locations which contain sensitive and confidential data by physical security to authorised personnel
•	Access to databases/systems require unique user logon identification and password authentication

Auditor General's 2021-22 reports

Number	Title	Date tabled
19	Forensic Audit – Construction Training Fund	22 June 2022
18	Opinion on Ministerial Notification – FPC Sawmill Volumes	20 June 2022
17	2022 Transparency Report – Major Projects	17 June 2022
16	Staff Rostering in Corrective Services	18 May 2022
15	COVID-19 Contact Tracing System – Application Audit	18 May 2022
14	Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities Part 2: COVID-19 Impacts	9 May 2022
13	Information Systems Audit Report 2022 – State Government Entities	31 March 2022
12	Viable Cycling in the Perth Area	9 December 2021
11	Forensic Audit Report – Establishment Phase	8 December 2021
10	Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities	24 November 2021
9	Cyber Security in Local Government	24 November 2021
8	WA's COVID-19 Vaccine Roll-out	18 November 2021
7	Water Corporation: Management of Water Pipes – Follow-Up	17 November 2021
6	Roll-out of State COVID-19 Stimulus Initiatives: July 2020 – March 2021	20 October 2021
5	Local Government COVID-19 Financial Hardship Support	15 October 2021
4	Public Building Maintenance	24 August 2021
3	Staff Exit Controls	5 August 2021
2	SafeWA – Application Audit	2 August 2021
1	Opinion on Ministerial Notification – FPC Arbitration Outcome	29 July 2021



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Office of the Auditor General for Western Australia

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: Fraud Awareness Training

RISK THEME PROFILE:

External Theft and Fraud

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE		PRIOR TO TREATMENT OR CONTROL		RISK ACTION PLAN	AFTER TREATEMENT OR CONTROL			
CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	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	Loss of funds through fraudulent or corrupt activity	Catastrophic (5)	Likely (4)	Extreme (20 - 25)	A commitment to good governance by understanding in detail the risks that may arise in our operating environment. While we acknowledge that fraud risks cannot be eliminated, a robust and well-resourced fraud risk management program can minimise the likelihood and consequence of fraud events. This is further enhanced by training and awareness programs that manage the risk of fraud by controlling the 'opportunity'.	Catastrophic (5)	Unlikely (2)	Moderate (5 - 11)
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	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Fraud and corruption can result in a loss of confidence by our community that we aren't serving them well. Public money is naturally threatened when misappropriated or	Moderate (3)	Almost Certain (5)	High (12 - 19)	A commitment to good governance by understanding in detail the risks that may arise in our operating environment. While we acknowledge that fraud risks cannot be eliminated, a robust and well-resourced fraud risk	Minor (2)	Unlikely (2)	Low (1 - 4)

					Annondiy AAP: 8 7R				
CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN	Appendix AAR: 8.2B			
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING	
	other wrongdoing occurs, and it strikes at the core of trust, accountability and transparency for our sector.				management program can minimise the likelihood and consequence of fraud events. This is further enhanced by training and awareness programs that manage the risk of fraud by controlling the 'opportunity'.				
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.	

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	AFTER TREATEMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	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.

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

		PRIOR TO TREATMENT OR CONTROL				AFTER TREATEMENT OR CONTROL		
CONSEQUENCE CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	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.

Appendix AAR: 8.4B

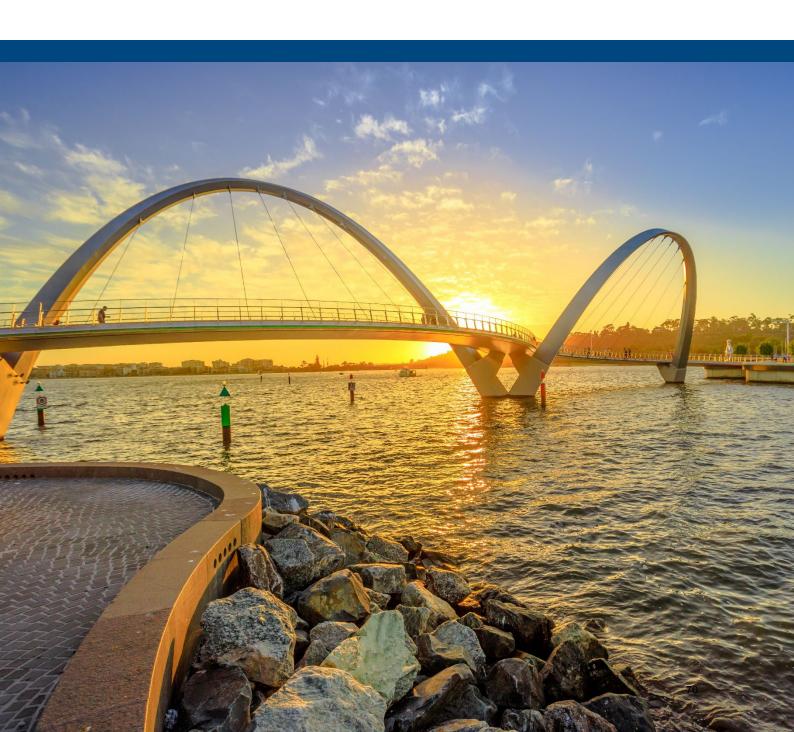




Report 12: 2022-23 | 22 December 2022

FINANCIAL AUDIT RESULTS

State Government 2021-22



Appendix AAR: 8.4B

Office of the Auditor General Western Australia

Audit team:

Grant Robinson Jordan Langford-Smith Lyndsay Fairclough Financial Audit teams Information System audit team

National Relay Service TTY: 133 677 (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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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.

Image credit: Benny Marty/shutterstock.com

Appendix AAR: 8.4B

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Financial Audit Results - State Government 2021-22

Report 12: 2022-23 22 December 2022



THE PRESIDENT LEGISLATIVE COUNCIL

THE SPEAKER LEGISLATIVE ASSEMBLY

FINANCIAL AUDIT RESULTS - STATE GOVERNMENT 2021-22

This report under section 24 of the *Auditor General Act 2006* covers 2021-22 financial audit activity to 30 November 2022 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 2022
- 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
- recent changes to accounting and auditing standards that impact on government financial reporting and accountability.

A separate report on the insights gained during our 2021-22 financial audit season on the COVID-19 impacts on the sector (financial and performance) will be issued.

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.

CAROLINE SPENCER AUDITOR GENERAL 22 December 2022

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Auditor General's overview

This report summarises the results of our annual audits of 123 of 132 State government entities for the year ended 30 June 2022, along with the results of a number of other audits and assurance activities. As this report reveals, 2021-22 has been another challenging year for the West Australian State sector.

While aspects of life and business stabilised as we emerged from the intense focus on COVID-19 pandemic responses, it is fair to say that things have clearly not returned to normal across the public sector. Regrettably, fatigue and a lack of attention to some of the core foundations of public financial management remain prevalent. While we understand that entities deal with many important matters, improving financial management control and external reporting processes is now an urgent priority for large parts of the State sector.

The 2021-22 financial year saw new records being set – on the one hand, a favourable economic result with a State surplus of \$6 billion, and on the other, and very disappointingly, another record number of audit qualifications for our State entities.

The number of entities with serious deficiencies requiring a qualified opinion on financial statements and/or controls, increased from 17 last year to 21 entities this year. There were 35 separate qualification matters, an increase from the 31 matters reported in 2020-21 (Figure 1). Of concern is that we expect that there will be further qualifications in the nine State audits yet to be completed. We anticipate that the final audit outcome, subject to entity actions and OAG deliberations, will be 41 qualification matters across 24 State entities.

The increase in audit qualifications appears to be a consequence of diverted attention in agencies in recent years, compounded by a current shortage of skilled finance and IT professionals available to address audit findings. Concerningly, the percentage of audit findings remaining unresolved from the prior year increased to 38% (Figure 6), and a fifth of entities were very late with their audit preparedness (Figure 3). We also found a concerning drop in the quality of information provided for audit purposes, with supporting evidence or key reconciliations incomplete or absent in too many entities, and errors in financial statements. Accountable authorities need to ensure that their finance teams are appropriately resourced to ensure that they are audit ready within agreed timeframes. It was evident that in some entities the finance teams are under-resourced and inexperienced, reflecting a skills gap in the foundations of sound financial management for our sector. This increases audit timeframes and costs, as well as frustration for both my auditors and entity finance staff due to additional audit requests, procedures and deliberations. It was particularly concerning to see an increase in payroll weaknesses in 2021-22. In periods where the workforce is less centralised, with some people still working from home, strong payroll controls are more important than ever to ensure accurate payments are made to current staff and leave transactions are properly recorded.

While we acknowledge that staff illness and vacancies provided challenges for this year's reporting season, this alone does not fully explain the decline in financial control and reporting performance for the sector. To rectify the adverse trends we have identified, there will need to be determined commitment across the sector, and an understanding that sloppiness around key controls within our public sector financial framework is not acceptable in the administration of public finances. After all, in the public sector it is all other people's money; requiring a higher standard of diligence and accountability than we may individually choose to adopt in our personal finances, or which may be acceptable in a private entity. To that end, this report includes some of our thoughts on the way forward around building foundational financial management capacity and capability across the sector.

Of course, the news from our latest audit season is not all bad. There were a number of impressive results and improvements, demonstrating that even in challenging operating conditions, good financial administration remains possible. Our top 20 large and small best practice entities (Table 4) are to be commended for their timeliness and quality of financial reporting, and minimal adverse audit findings. I would particularly like to acknowledge the finance team at the Department of Education – who on some measures are responsible for the largest single reporting entity in the State – for delivering high quality statements and supports for audit earlier than ever. It was a notably smooth and efficient audit process for an entity with such broad operations, reflecting the skill, dedication and experience of the finance team. A number of entities also responded positively to prior year findings, with four entities having their qualifications removed in 2021-22 (page 17). Some entities, such as the Department of Local Government, Sports and Cultural Industries made good progress towards rectifying control weaknesses, even if removal of qualifications was not possible for the 2022 year. Additionally, an improvement in timeliness of tabling Statements of Corporate Intent (page 49) was pleasing.

An audit skills shortage has impacted both my Office and our contract audit firms. Ours is a profession dependent on global mobility, and closed borders impacted the steady inflow of qualified auditors seeking permanent migration as well as peak season opportunities. This meant we had to carefully plan our resources to ensure that we were focused on auditing the Annual Report on State Finances and the largest entities that comprise the majority of the balances in that report. Accordingly, we needed to make the decision to dispense with and defer a number of smaller audits and redeploy resources within the Office to prioritise financial audits. I am proud that in such a challenged reporting season these measures, and the determined efforts of the Department of Treasury, resulted in the audit of Annual Report on State Finances being delivered within statutory timeframes.

I thank those public entities, of which there are many, who demonstrated the level of professionalism, commitment and quality in financial management that is the benchmark for others to aspire to. And for those finance professionals who have accepted the somewhat daunting challenge of driving rectification of financial controls.

Finally, and as always, I recognise and am thankful for the extreme professionalism and hard work of my staff and our contract audit firms, and their dedication in delivering this year's audit program.

2022 Mid-year reporting cycle at a glance

Auditing State government



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

132 State government entities

123 audits finalised and the results included in this report



qualifications matters



21 entities for 2021-22

Highest number recorded by our Office



General government sector realised a \$6 billion



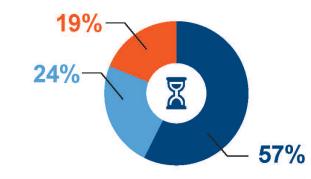
We audited \$132 billion of total public sector net assets

Timeliness of financial statements (page 22)

- On or before 20 days after year end
- 20-38 days after year end
- More than 38 days after year end



We congratulate the entities we rated as best practice for 2021-22 (page 26)



Audit results

4 prior year qualifications removed (page 17)

opinions

outstanding (page 12)

16

certifications

(page 18)

431 information system control weaknesses (page 39)

385 management

control issues

(page 29)

adjusted errors

million

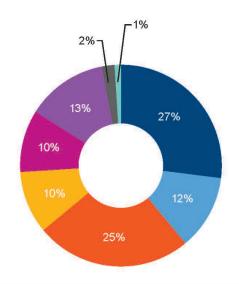
unadjusted errors

There were 42 entities which had no audit errors

385 management control issues (page 29)

During 2021-22, we alerted 72 entities to control weaknesses that needed their attention: 91 were rated as significant, 201 moderate and 93 minor.

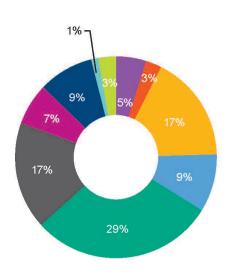
- Expenditure
- Accounting procedures
- Payroll and human resources
- Asset management
- Revenue
- Governance
- Inventory
- Liabilities



431 information system control weaknesses (page 39)

During 2021-22, we alerted 51 entities to 431 information system weaknesses: 33 were rated as significant, 286 moderate and 112 minor.

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



Financial reporting, accountability and audit matters



Cloud computing management costs (page 43)



Combustible building cladding (page 44)



Climate change related risk (page 45)



Tabling of 2022-23 Statements of Corporate Intent (page 49)



Accounting standards (page 52)

Executive summary

Introduction

This Financial Audit Results report contains our findings from the annual financial audits of State government entities (entities) with a reporting date ending 30 June or 31 July 2022 where the auditor's report had been issued by 30 November 2022. We delayed compiling this report until sufficient audits were completed and so as to ensure it reflected the challenges facing auditors and entities during the reporting cycle.

At 30 November 2022, we had completed audits and issued audit opinions for 28 departments, 71 statutory authorities, 11 corporations and 13 other audits. Nine of 132 audits are outstanding.

The Auditor General Act 2006 requires the Auditor General to audit the financial statements, controls and key performance indicators (KPIs) of 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 continue to rise

This is the third year in a row where the number of qualified audit opinions has increased. At 30 November 2022, there were 35 discrete qualifications across 21 entities. This is an increase of four qualifications from the number of discrete qualifications issued in 2020-21 and a new record for the State sector. The number of qualifications for the financial year is likely to be even higher as the outstanding audits are finalised. This is a concerning trend as it indicates that there are an increasing number of entities that are not adequately ensuring that public funds, resources and systems are being properly accounted for and managed.

Many of the entities who received a qualified audit opinion in 2021-22, also received a qualified opinion in the prior year. This is due to entities not addressing previously reported control weaknesses, with the number of unresolved control weaknesses from the prior year increasing to 38% in 2021-22 (up from 20% in 2018-19). While there are many factors contributing to this, including illness and fatigue in the sector and staffing constraints, entities do need to prioritise addressing audit findings to improve their governance and prevent errors and fraud.

Page 16 and Appendix 3 provide more information on the qualified audit opinions. Observations regarding control weaknesses is included on page 28.

Shortage of skilled audit professionals

There is a shortage of skilled financial auditors in our State. Our Office and contract audit firms rely on global mobility to supplement shortages associated with attrition and to augment teams during the peak audit delivery season. We foresaw these problems at the beginning of the year and planned our limited resources appropriately to ensure the completion of the audit of the Annual Report on State Finances (ARSF) as a priority. The ARSF was tabled on 27 September 2022, within the statutory deadline.

Our approach included deferring audits of smaller entities that were not material to the ARSF, dispensing of audits where it was feasible to do so and outsourcing more audits. Even so, we have been challenged to complete audits in a timely basis. Figure 2 on page 20 provides an overview on our approach for dealing with one of the most challenging audit

seasons experienced in living memory. Our situation is similar to that experienced by all Australian and New Zealand audit offices.

Not all entities were audit ready

Entities also struggled to attract and retain suitably qualified finance professionals. When combined with illnesses, including COVID-19, this resulted in an increase in the number of entities who were unable to meet agreed timeframes. We also observed instances where entities provided incomplete information or poorly prepared working papers, with an expectation that the issues will be resolved as part of the audit process. Our Office's capacity to support entities is finite and timely financial reporting to Parliament is dependent on entities being audit ready and meeting agreed timeframes.

Page 27 includes some recommendations for entities in relation to audit readiness and we will work with central entities to identify strategies for future reporting.

However, many entities were able to overcome these hurdles and provided good quality timely financial and KPI reports supported by sufficient appropriate documentation. We have recognised and celebrate the best practice entities on page 26.

Some entities made good improvements

Concern for the increasing trend of audit qualifications and unresolved issues needs to be balanced by the fact that a number of entities have made substantial improvements to their controls and financial reporting in 2021-22. Appendix 4 lists four entities who substantially improved their controls to have their qualified audit opinion removed in 2021-22 (Public Transport Authority, Quadriplegic Centre, Racing and Wagering Western Australia and Western Australian Sports Centre Trust). Other examples of entities who have embraced the audit process or improved the timeliness of financial reporting, notwithstanding the above noted challenges, include:

- the Department of Local Government, Sport and Cultural Industries who strengthened controls and improved processes to address control weaknesses related to procurement, payroll and general computer controls. While this was not enough to remove the qualifications in 2021-22, it is a substantial improvement and a commendable change
- the Department of Education requested that their audit be brought forward in 2021-22.
 They were able to provide financial statements earlier than prior years, which is an
 achievement given the complexity and size of the entity and their financial statements.
 This resulted in the audit opinion being issued on 31 August 2022
- the Department of Biodiversity, Conservation and Attractions was receptive to findings that resulted in a new audit qualification in 2021-22 and has already commenced action to address it
- Police Force identified the matter that gave rise to the qualified opinion on controls and had already addressed it during the course of the year. We therefore only qualified the period from 1 July 2021 to 12 May 2022.

These examples demonstrate that concentrated efforts can lead to marked improvements in controls and more timely financial reporting, even in challenging operating environments.

A number of audits remain outstanding

The issues above have meant that there are a number of audits which have not been finalised at the time of this report.

At 30 November 2022, there were nine audits still in progress. Included in the list are three entities that were subject to audit qualifications in the prior year (and likely to have recurring qualifications in 2022).

Appendix 2 summarises these outstanding entities and the reasons for the delay.

Thoughts on the way forward to address sector financial management and reporting capacity and capability issues

Whilst we do not purport to have all the answers, we have reflected on what we have seen in recent years and consider the following warrant further consideration by the sector and relevant parties.

Firstly, there is a widespread need to build and improve capacity and capability within finance teams at public sector entities. This includes being able to attract and retain appropriately qualified finance professionals and ensuring there is a continuous supply of finance professionals through graduate recruitment. Additional training programs from central entities (e.g. Department of Treasury) may also be of assistance in building capability.

Entities with large numbers of outstanding issues and qualifications also need support to resolve these issues. This may include short term targeted interventions that may require funding linked to outcomes so entities can more readily address the adverse findings. For example, we have identified serious shortcomings in information technology controls and there is a clear need for entities to prioritise their investment in this area. Some have already accessed the Digital Capability Fund to do so.

The entities' accountable authorities also need to take ownership and responsibility for addressing findings. Being more prepared for the audit and responsive to audit findings is important, and so is having a questioning mindset. Entities should be prepared to ask themselves, 'is this an acceptable practice and could this expose the entity to unacceptable risk of error or fraud, or other wrongdoing?' and 'can we adequately demonstrate that the intent of the audit recommendation has been addressed in an enduring way?'. Entities should also be leveraging their internal audit areas to try, as best as possible, to identify any weaknesses early, before our external audit teams as the last line of defence, detect problems.

We have commenced discussions with central entities, especially the Public Sector Commission and the Department of Treasury to consider ways to address current capacity and capability issues.

We acknowledge the part we play in this also, so we have undertaken (and will continue to do so) appropriate self-reflection on where we can improve, enhance our interactions/communications and efficiency. This includes ongoing recruitment of financial auditors, training and enhancing communication with entities. We have also published better practice guidance on financial reporting¹ and audit committees² to assist entities. Following the guidance will enable entities to prepare for an audit.

¹ Office of the Auditor General, Western Australian Public Sector Financial Statements - Better Practice Guide, OAG, Perth, 2021.

² Office of the Auditor General, Western Australian Public Sector Audit Committees – Better Practice Guide, OAG, Perth, 2020

Recommendations

- 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 guide on financial statement preparation 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, including providing draft copies to the minister, 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 key performance indicators to ensure that they are relevant, calculated reliably from complete data and include meaningful explanations for variations between actual and targeted performance.
- 5. Entities should obtain assurance reports (service organisation controls reports or equivalent) when they use third party vendors to provide cloud applications for key systems including payroll and finance.
- 6. Based on an assessment of risk, entities should also obtain adequate assurance for other vendor provided cloud and managed service arrangements.
- 7. The Department of the Premier and Cabinet should provide entities with assurance reports (SOC or equivalent) for government managed cloud services contracts they oversee.
- 8. Entities and Treasury should continue to facilitate timely tabling of Statements of Corporate Intent to ensure compliance with legislation.
- 9. Treasury should continue to provide practical support to assist entities with the adoption of new accounting standards including guidance, training, and templates to the WA public sector. Entities should continue to make timely preparations for implementation of these new standards.

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 for each 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 key performance indicators (KPIs):

- financial statements reasonable assurance that the financial statements and supporting notes are based on proper accounts, fairly presented 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 and 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 30 November 2022 we had issued audit opinions for 123 entities, primarily with financial periods ending on 30 June 2022. Appendix 1 (page 68) lists all the State entity audit opinions issued since our last audit results report on 17 August 2022, with a summary shown below.

Audit opinion issued on	Type of entity	Number issued	Entities audited
Financial statements,	Departments	28	31
controls and KPIs	Statutory authorities	71	75
Financial statements only Annual Report on State Finances		1	1
	Corporatised entities	11	12
	Subsidiary entities	10	11
	Request audits	2	2
Total number of audit opinions		123	132

Source: OAG

Table 1: Number and type of State entity audit opinions issued by 30 November 2022

Eleven of the final 16 local government entity auditor's reports for the 2020-21 financial year were also completed. Five of these local government audit opinions remain outstanding. Appendix 9 (page 89) reports the dates and details of the opinions issued for these local government entities.

Thirty-five qualifications for 2021-22

In 2021-22, 21 entities received a qualified audit opinion. A number of entities had more than one qualification within the audit report, and overall there were 35 discrete qualifications across these 21 entities.

This is an increase from the 31 discrete qualifications across 17 entities issued in 2020-21 and the highest number of audit qualifications ever issued by our Office.

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 effort.

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 2021-22 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 the lack of a purchase order system. This significantly increases the risk of incorrect or fraudulent payments
- weaknesses in cash management controls which could result in restricted funds being used inappropriately
- inadequate controls to ensure that all revenue due to the State has been collected and appropriately recorded
- weaknesses in IT controls which increase the risk of unauthorised access to networks and applications
- poor practices for receiving, recording and distributing inventory, particularly in relation to rapid antigen tests.

A number of entities had more than one issue giving rise to the qualifications, indicating there were multiple material deficiencies of relevance for that entity.

Five entities received more than one qualification and of greater concern is that four entities have qualifications across payroll, cash/revenue, and computer controls. This is an indicator of significant shortcomings in these critical areas of financial management and business continuity, and creates even greater exposure to error and fraud.

Of the entities with multiple qualifications, several were impacted by the Machinery of Government changes in 2017-18. We note that the approach and timing of merging of separate systems and processes has led to control breakdowns and pressure on systems and finance personnel.

The majority of health entities³, received a qualified controls opinion in 2021-22. Except for Health Support Services, the qualifications related to weaknesses in general computer controls, particularly controls over network security, remote access and unauthorised

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

devices. Addressing these weaknesses is essential to prevent vulnerabilities which could comprise business operations and sensitive information held by WA Health.

For full details of the qualified opinions see Appendix 3.

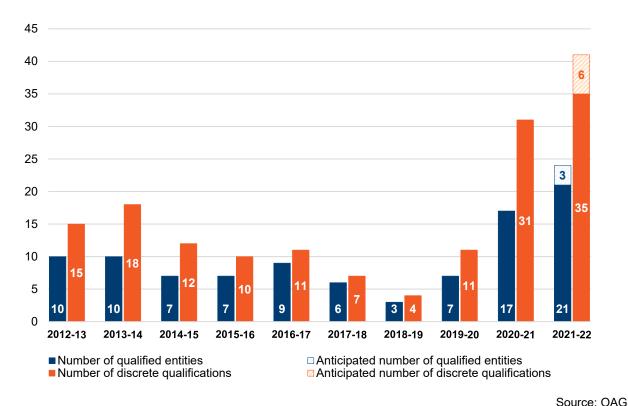


Figure 1: Entities with qualified opinions and number of qualified issues for last 10 years

As noted in the Executive Summary, there are nine entities whose audits are still outstanding at 30 November 2022. From these remaining audits, we anticipate that another three entities will receive qualifications for six discrete matters. This would bring the total number of audit qualifications to 41 from 24 entities.

Four entities had their prior year qualified opinions removed

In 2021-22, the Public Transport Authority, Quadriplegic Centre, Racing and Wagering WA and the Western Australian Sports Centre Trust (VenuesWest) improved previously reported weaknesses in their controls and processes. Consequently, we were able to remove the controls qualifications from the prior year. Further information on these entities is included in Appendix 4.

Three entities received matters 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 5.

Twenty-one entities received emphasis of 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) paragraph in our auditor's report.

In 2021-22, 23 EoM paragraphs were included to bring the reader's attention to specific matters disclosed in the financial statement or KPIs. There were seven EoMs relating to restatement of comparative balances as a result of errors or changes in accounting policies. A further seven related to the basis of accounting and restriction on distribution and use.

For full details of the EoM paragraphs we included in the 2021-22 audit opinions, please see Appendix 6.

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 2021-22, this applied to the Trustees of Public Education Endowment (the Trust) as the going concern event or condition was 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. Legislative drafting of this bill is anticipated in 2023
- return of the assets to the consolidated account.

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

We issued 16 audit certifications

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

In 2021-22, we issued 10 certifications on the financial and statistical information produced by entities to discharge reporting obligations for Commonwealth grants or under other legislation.

We also issued six certifications for projects funded under the Royalties for Regions program. This is a decrease from the 54 certifications issued last year. The decrease reflects the decision by the Department of Primary Industries and Regional Development in 2022, to only require audits in the final year of the project rather than annually. We commend the Department for this initiative as it will ease the burden on these entities accordingly.

They are listed in Appendices 7 and 8, starting on page 87.

Quality and timeliness of reporting

Planning for the 2021-22 audit season

With the previous record number of audit qualifications identified in 2020-21, combined with a shortage of skilled auditors for our Office and contract audit firms, we could foresee that 2021-22 would be a challenging financial audit season.

To that end, we wrote to entities' accountable authorities in February 2022, advising them, in advance, that we may delay further on their audits until the following February or March if agreed audit timeframes were not met by the entity. This was important to ensure that our attention and resources are directed to the local government entities post September.

We also considered resourcing impacts on our in-house/outsourced audit model and considered which audits could be deferred, dispensed with or contracted out in order to free up our limited resources. Our key focus was ensuring that the 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 in such a difficult year. To achieve this, we had to ensure that the top 40 entities, which comprise of 95% of the ARSF balances, were audited first. If a full audit was not able to be completed due to entity preparedness, we cleared balances in those entities that are material to the ARSF as a priority.

Figure 2 shows a timeline of our planning for this challenging financial audit season.

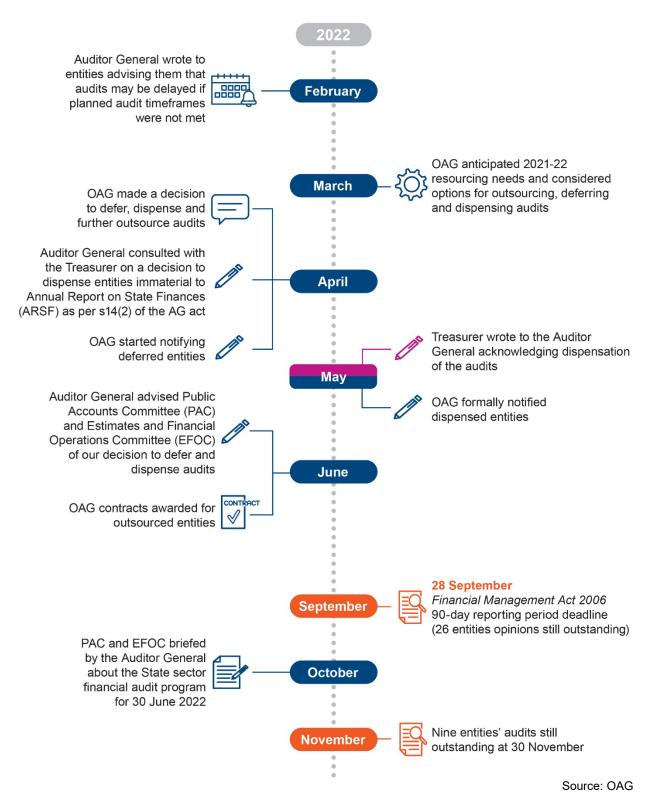


Figure 2: Management of 2021-22 State sector financial audit program

Audits dispensed or deferred

Audits dispensed

In 2021-22, we dispensed with the audit of the Western Australian Building Management Authority as there has been insufficient activity to justify undertaking the audit. This is consistent with our practice for similar entities in previous years.

In addition, we also dispensed with a further 10 entities whose operations are immaterial to the ARSF. These included:

- the nine regional development commissions. The development commissions were significantly impacted by the Machinery of Government changes in 2017-18, with most staff being transferred to the Department of Primary Industries and Regional Development (DPIRD). The financial statements for the development commissions largely reflect the services and expenses that DPIRD provide and incur on their behalf, which are covered by DPIRD's audit with, generally, only the chief executive officers' salary being unique to the entity
- the Animal Resources Authority. Following the Animal Resources Authority Amendment and Repeal Act 2022, we expect that the Authority will be wound up by 30 June 2023. Given this process, there was little benefit of completing the Authority's audit for 2021-22. Instead, we will complete a final audit at the date the Authority is wound up.

The Auditor General consulted with the Treasurer and advised the Public Accounts Committee and the Standing Committee on Estimates and Financial Operations of her decision as per the requirements of section 14(4) of the Auditor General Act 2006.

Audits deferred

In April 2022, we contacted 11 entities advising them, in advance, that we would not be able to complete their 2021-22 financial audit 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 (FM Act).

We advised two of the entities (Office of the Inspector of Custodial Services; School Curriculum Standards Authority) that we aimed to finalise their audit by no later than 30 September 2022. For the remaining entities we aimed for a deadline of no later than 31 October 2022. In all instances, we endeavoured to complete the audits earlier to meet entities' reporting deadlines.

The entities deferred were:

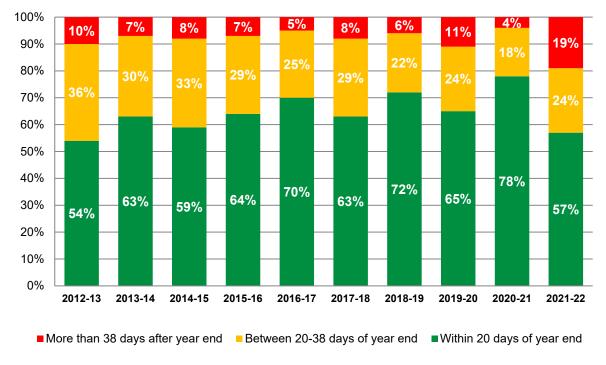
- **Combat Sports Commission**
- Corruption and Crime Commission
- Department of the Legislative Assembly
- Department of the Legislative Council
- Gaming and Wagering Commission of Western Australia
- Governor's Establishment
- Office of the Inspector of Custodial Services
- Parliamentary Services Department
- Racing Penalties Appeal Tribunal of Western Australia

- School Curriculum and Standards Authority
- Western Australian Electoral Commission.

Audit readiness and timeliness

Being audit ready is more than simply providing a draft set of financial statements and KPIs to the auditors. It means having full and complete financial statements (including disclosure notes) and KPIs. Working papers to support balances and judgements within these statements are required to be prepared before auditors commence, including completed reconciliations (assets/bank/leave etc.) for each month of the year. The demands and expectations of finance teams are quite significant.

Figure 3 shows that 57% of entities were audit ready within 20 days of their financial year end. This is down from 78% last year and reflects some of the current difficulties in the sector's ability to be ready for audit as soon as possible. Most concerning is the large number of entities not ready within 38 days of year end. This is the highest we've recorded in the last 10 years.



Source: OAG

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

In 2021-22, we observed that some entities who provided draft financial statements and KPIs by the agreed audit date were not actually audit ready. For example, some entities:

- provided financial statement/KPI information in a piecemeal fashion. For example, financial statements with missing notes or primary statements
- did not complete important reconciliations prior to the audit or had large unreconciled differences that had to be followed up and worked through during the audit, impeding efficient audit progress
- had obvious errors in the financial statements or KPIs indicating that they had not been appropriately reviewed by anyone.

In many cases, these entities had an expectation that the auditors would work intensely with the entities to resolve the matters so that the audit could be finalised on time. This creates additional unscheduled demands on the audit team and essentially shifts resourcing from the entity to the OAG. A sense of professional duty and service sees our auditors wanting to help, but our schedules are tight and unplanned overtime results in additional fees and auditor fatigue. Too much engagement during the financial reporting process can also impair auditor independence and risk breaching our professional standards.

For six entities, the delays in receiving financial statements and supporting working papers were so significant that we took the difficult decision to withdraw from the audit and delay further work to a later period (five of these remain outstanding as of the date of this report). This is consistent with the Auditor General's correspondence to all entities in February 2022.

Accountable authorities need to ensure that their finance teams are appropriately resourced to ensure that they are audit ready within agreed timeframes. It was evident that in some entities the finance teams are under-resourced and inexperienced, reflecting a skills gap in the foundations of sound financial management for our sector.

Looking forward, we are recommending each chief financial officer or equivalent provide a formal audit readiness sign-off to both the accountable authority and OAG. The aim of which is to ensure that the entity has prepared an audit submission that is in fact audit ready. In the future, if it becomes apparent that an entity is not audit ready when we start the audit, we may discontinue and return at a date to be determined.

To support entities, we have published a better practice guide on financial reporting to assist officers to better understand the information requirements for financial report preparation. Following this guidance will assist entities to be audit ready.

Adjusted and unadjusted audit differences

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

An audit difference 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 differences, other than those which are clearly insignificant. An entity can choose to correct the audit difference (adjusted) or leave it unadjusted.

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

This is the first year we have externally reported adjusted and unadjusted audit differences. The values reported below are the aggregate values of differences identified by our audit teams and contract audit firms.

Adjusted

In 2021-22, 50 entities adjusted 101 audit differences.

Value	Number 2021-22	Nominal value
Less than \$250,000	31	\$2,225,057
\$250,000 to \$500,000	10	\$3,626,035

Value	Number 2021-22	Nominal value
\$500,000 to \$1 million	11	\$7,506,126
\$1 million to \$5 million	27	\$62,831,517
\$5 million to \$15 million	14	\$124,615,022
\$15 million to \$30 million	3	\$52,176,068
\$30 million to \$50 million	1	\$34,216,000
\$50 million and greater	4	\$944,748,000
Total number and value of differences	101	\$1,231,943,825

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

Table 2: Adjusted audit differences for entities in 2021-22

Of the 101 audit differences adjusted in the 30 June 2022 financial statements, 49 were greater than \$1 million.

The common areas where adjusted audit differences were identified included:

- incorrect recognition of accrued liabilities
- incorrect application of accounting standards
- errors in, and quality of, asset records, including incorrect classification of assets
- asset revaluation errors such as inappropriate valuation assumptions and incorrect revaluation adjustments.

Unadjusted

In 2021-22, we identified 91 unadjusted audit differences across 41 entities.

Value	Number 2021-22	Nominal value
Less than \$250,000	26	\$2,838,782
\$250,000 to \$500,000	13	\$4,662,431
\$500,000 to \$1 million	14	\$11,115,206
\$1 million to \$5 million	22	\$56,968,478
\$5 million to \$15 million	9	\$90,017,000
\$15 million to \$30 million	2	\$42,506,000
\$30 million to \$50 million	2	\$90,333,000
\$50 million and greater	3	\$619,700,000
Total number and value of differences	91	\$918,140,897

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

Table 3: Unadjusted audit differences for entities in 2021-22

The common areas where unadjusted audit differences were identified included:

• errors in estimating the impact of new State Government wages policy on annual leave and long service leave provisions

- expenses incorrectly recognised
- depreciation incorrectly applied to assets.

There were 42 entities which had no audit differences.

There are various reasons why errors are not adjusted, the most common being it is not material to the financial statements overall, or that it may not be efficient or possible within statutory timeframes to process an adjustment late in the audit process.

If we consider that an unadjusted misstatement is material, then we will issue a qualified audit report on the financial statements. This was applicable to the Department of Communities, Disability Services Commission and Housing Authority in 2021-22.

We encourage entities to review their financial statement preparation processes as well as guidance included in our Western Australian Public Sector Financial Statements - Better *Practice Guide* to prevent errors in financial statements.

Late tabling of some 2021-22 annual reports

In 2021-22, finalising audit reports well within the 90-day timeframe of the FM Act was increasingly difficult and not just for the reasons outlined above. Additional pressure arose because the last parliamentary sitting date was 21 September 2022 and entities needed to provide their minister with final copies of their annual report in advance of this date. For entities juggling competing priorities, and our Office auditing the sector in just a few short months, bringing forward practical completion dates can impede compliance and result in delayed transparency for Parliament.

Leading up to the last sitting date in September, entities submitted to their minister notices to Parliament to advise of the delays and the anticipated tabling date as required by section 65 of the FM Act. Of the notices tabled in Parliament, nine were for entities where we had deferred the audit.

An additional 32 entities explained that their delay was caused by the last sitting date in September being earlier than the prior year and the loss of seven days preparation time. However, 20 of these entities received their audit opinion by 21 September, five of these were either on or before 1 September 2022. It appears that these five entities in particular, could have tabled their annual report in time to meet the statutory deadline.

Many entities informed us that an extension of time was necessary because the minister needed the final annual report at least a week in advance of the tabling date. While entities should ensure that the minister's office has sufficient time to consider the annual report, they can submit a draft annual report for review prior to the finalisation of the financial statements and audit report. This practice would avoid further compressing our already tight auditing timeframes, where every day matters for our sector-wide program.

In addition, 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.

We also noted that some entities stated that the delays were caused, either fully or in part, due to our Office not issuing the audit opinion on time. This was not always completely accurate, with several of these entities having significant issues with their finalisation of the financial statements and related supporting materials (i.e. not being sufficiently audit ready) or their own resourcing problems causing the delays. On request, we have reported separately to the Standing Committee on Estimates and Financial Operations of the reasons for delays in entities whose annual report was not tabled by 28 September 2022.

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 4). Our definition of small is entities with total expenditure below \$41 million.

We congratulate the entities we rated as the top achievers for 2021-22.

Our assessment criteria include:

- clear opinion on 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.

Best practice top 20 large entities	Best practice top 20 small entities
Child and Adolescent Health Service	Chemistry Centre (WA)
Department of Education	Construction Industry Long Service Leave Payments Board
Department of Jobs, Tourism, Science and Innovation	Country Housing Authority
Department of Mines, Industry Regulation and Safety	Department of the Registrar, Western Australian Industrial Relations Commission
Department of Training and Workforce Development	Economic Regulation Authority
Department of Treasury	Health and Disability Services Complaints Office
Electricity Networks Corporation (Western Power)	Keep Australia Beautiful Council (W.A.)
Electricity Generation and Retail Corporation (Synergy)	Law Reform Commission of Western Australia
Fremantle Port Authority	Legal Costs Committee
Government Employees Superannuation Board	Library Board of Western Australia, The
Insurance Commission of Western Australia	Metropolitan Cemeteries Board
Keystart Group	Minerals Research Institute of Western Australia
Legal Aid Commission of Western Australia	National Trust of Australia (WA), The
Mental Health Commission	Parliamentary Inspector of the Corruption and Crime Commission
Mid West Ports Authority	Professional Standards Council
Office of the Director of Public Prosecutions	Public Sector Commission

Best practice top 20 large entities	Best practice top 20 small entities
Southern Ports Authority	Quadriplegic Centre
Western Australian Museum, The	Small Business Development Corporation
Western Australian Tourism Commission	Workcover Western Australia Authority
Western Australian Treasury Corporation	Zoological Parks Authority

Source: OAG

Table 4: Top 20 best entities in two expenditure categories for 2021-22, listed in alphabetical

Recommendations

- 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 guide on financial statement preparation 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, including providing draft copies to the minister, to ensure that the FM Act 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: Ikelihood 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.

Risk category	Audit impact	Management action required
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: • misstatement in the financial report that has occurred, although not material • ongoing system control weakness which could or is having a moderate adverse effect of achieving objectives or legislative compliance.	Control weaknesses of sufficient concern to warrant action being taken as soon as practicable, within three to six months. If not addressed promptly, they may escalate to significant or high risk.
Minor	Isolated occurrences, non-systemic or procedural control weaknesses that are administrative shortcomings. Minor weaknesses which are not of primary concern but still warrant action being taken.	Management to implement an action plan within six to 12 months to improve existing process or internal control.

Source: OAG

Table 5: 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 and management controls

During 2021-22, we alerted 72 entities to financial and management control weaknesses that needed their attention.

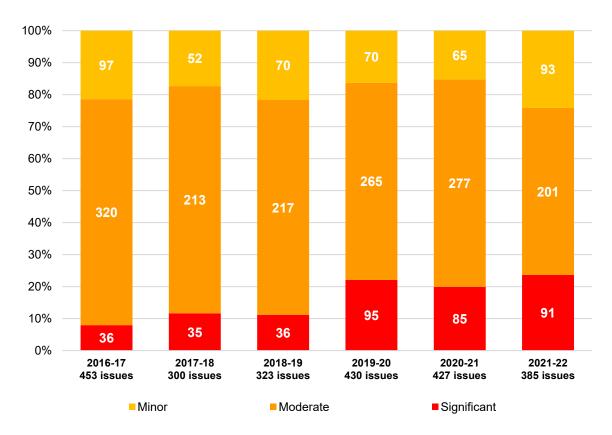
In total we reported 385 control weakness across the three risk categories (Figure 4):



Figure 4: Number of financial and management control findings by risk category for 2021-22

Although this is a decrease compared to the 427 reported in 2020-21 of which 85 were significant, 277 moderate and 65 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 57 findings for these audits.

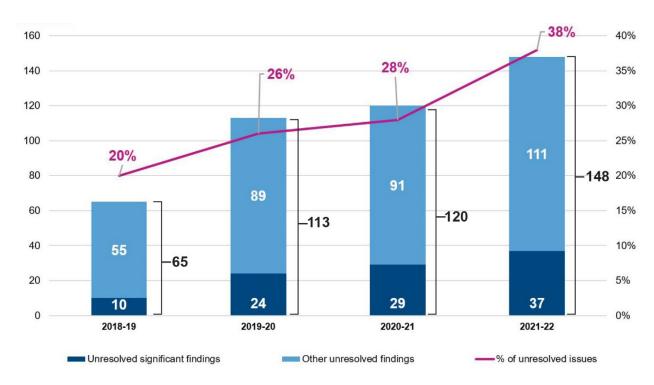
Figure 5 shows the number of weaknesses in each category and the comparative proportion of weaknesses in each category for the last six years. The number and proportion of significant control weaknesses has increased in 2021-22.



Source: OAG

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

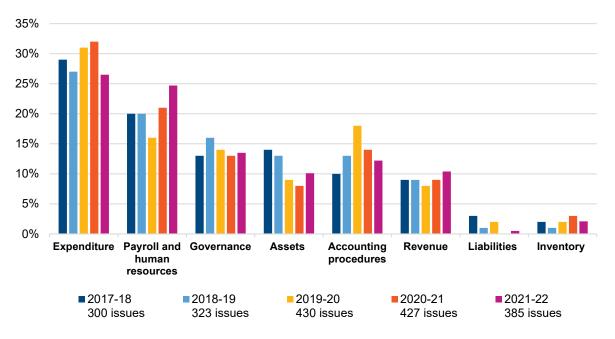
As highlighted in Figure 6, 148 control weaknesses (38%) at 44 entities were unresolved from the prior year. Disappointingly, this proportion is substantially higher than 2020-21 and continues to steadily climb from the 20% we reported as unresolved in 2018-19. Figure 6 also shows that the number of significant weaknesses identified that remain unresolved from prior years has been trending upwards over recent years.



Source: OAG

Figure 6: Unresolved financial management control findings

The 385 control weaknesses identified in 2021-22 are presented in their different financial management control categories over the last five years in Figure 7. This figure also shows that expenditure control weaknesses continue to represent the highest proportion of weaknesses across the financial control environment. What is concerning is the upward and significant increase in payroll and human resources control weaknesses for 2021-22 and 2020-21 compared with prior years.



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 102 expenditure control weaknesses to 49 entities in 2021-22. Fifty-one were unresolved from the prior year and eight of these unresolved findings were rated as significant.

For the second year in a row, a concerning expenditure control weakness was using restricted cash for operating purposes. This resulted in financial statement and controls qualifications for three entities (Department of Communities, Housing Authority and Disability Services Commission – see Case study 7). This issue also applied to DPIRD in 2020-21 and their 2021-22 audit has been delayed, partly as a result of the time needed to quantify this issue, which may result in a continuing qualification.

Of the 102 expenditure control weaknesses, 28 related to use of purchasing cards contrary to the policies and procedures at 21 entities. Our testing also found instances where:

- no invoice or other appropriate documentation was attached to support the transaction
- approval of transactions was obtained retrospectively
- purchasing card transactions were not acquitted within a reasonable time
- purchasing cards were used for personal transactions and not reported as such
- cards remained active after employee termination.

These findings all increase the risk of inappropriate or fraudulent credit card payments.

Other expenditure control weaknesses included:

- non-compliance with Treasurer's Instruction 323 *Timely Payment of Accounts* and Treasurer's Instruction 304 *Authorisation of Payments*
- no review of changes to the supplier masterfile, or staff having the ability to both make and approve changes. This review is important to ensure that there are no inappropriate changes to supplier records resulting in fraudulent payments.

The importance of robust controls over procurement processes are highlighted in the case studies below.

Case study 1: No guidance for raising multiple requisitions

At one entity, there was no written policy in place to provide guidance to employees on the criteria that must be satisfied before multiple requisitions/purchases can be raised against one purchase order. We noted instances where individuals were approving multiple requisitions which were individually within their delegated limit, but exceeded the employees delegated limit in aggregate.

This practice, which is similar to invoice splitting, increases the risk of unauthorised purchases and fraud.

Case study 2: Providing cost estimates to the service provider together with the invitation to quote

We identified six instances at one entity where an invitation to quote sent to a supplier included internal cost estimates for the services being provided. Providing internal cost estimates to the service provider with the invitation to quote defeats the purpose of obtaining competitive rates and may not result in the entity achieving best value for money.

In addition, for two of the six instances, there was no evidence to support that the acceptance of the quote and decision to award the work to the contractor was approved by the regional manager.

Payroll and human resources

We reported 95 payroll and human resource control weaknesses to 43 entities. Thirty-six were unresolved from the prior year and 16 of these unresolved findings were rated as significant. Our payroll controls audits identified the following weaknesses:

- at 20 entities there were weaknesses in payroll certification processes. We found payroll certification reports without evidence of approval by responsible line managers. cost centre certifications that were certified after the payment date, instances of cost centre managers certifying their own payments and/or being responsible for certifying an excessive number of employees. This is a fundamental payroll control to prevent incorrect salary payments and fraud. This control is particularly important when other payroll preventative controls are not operating effectively
- at one entity, overtime hours were not approved by an appropriate independent officer and there was no evidence of an independent review of the fortnightly overtime report
- instances of leave submitted and approved after the leave commencement date, and at one entity, leave applications were entered after employees returned to work
- there was one entity that had not performed a comprehensive review of long service leave liabilities for casual employees
- at two entities, employees had the ability to edit current and past rosters and authorise their own roster
- instances where timesheets remained unapproved
- at seven entities we found weaknesses in commencement and termination procedures, including incomplete staff exit checklists or instances where termination checklists were completed well after the employee's cessation.

Poor payroll controls can lead to salary errors and overpayments as illustrated in the Case study 3 below.

Case study 3: Poor termination procedures result in overpayment

At one entity, there was an employee who continued to be paid for four months after their termination date. This overpayment arose because:

- termination checklists were not consistently prepared
- a resignation letter had not been provided by the employee to the entity

• the employee's manager incorrectly approved payroll certification reports which still included the employee.

The entity has since recovered the overpayment.

Governance

During our audits we identified 52 financial governance and legal compliance issues at 30 entities. Twenty findings were unresolved from the previous year and five of these unresolved findings were significant.

Major control weaknesses included:

- issues with risk management at six entities. This included risk management polices not updated, incomplete risk registers, no business continuity plan or the plan not being tested to assess effectiveness
- a lack of regular review and update of policies to reflect current financial processes and requirements
- the delegation and authorisation register allowing one officer to be involved in multiple stages of the purchasing process. This indicates a lack of segregation of duties, which increases the likelihood of fraud, error or inappropriate purchasing
- financial management manuals which did not clearly specify the roles and responsibilities of officers for the ordering and purchasing of goods and services
- an entity which did not have an internal audit function during the 2021-22 financial year
- instances of no formal written service level agreements that define the services, responsibilities, measurable performance indicators and cost determination basis of the entity and the respective statutory authorities
- inadequate practices for declaring and managing conflicts of interest at one entity. This
 included inconsistent application of policies, insufficient instruction and guidance to
 staff regarding secondary employment and an instance where a declared conflict of
 interest was not recorded in the register. These practices significantly increase the risk
 that conflicts of interest are not properly identified, declared and managed
- procurement arrangements not being reviewed
- one entity substantially deviated from published policy when evaluating market-led proposals, discussed in Case study 4.

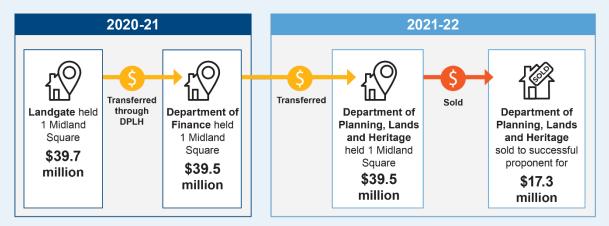
Case study 4: Market-led proposal sale and partial leaseback of the Landgate building in Midland

As part of our annual financial audit of State entities, we examined several aspects relating to the administration and recording of the market-led proposals (MLP) process for the sale and partial leaseback of the Landgate Building (1 Midland Square).

The Department of Finance (Finance) assessed proposals regarding the sale and partial leaseback of the Landgate Building, finalising an agreement with the successful proponent in March 2022. This agreement commenced as a MLP under the publicly available MLP policy, with a Problem and Opportunity Statement issued to market in late 2020. The

proposal was evaluated using the centrally led MLP process, with each of the three assessment stages requiring a recommendation from the MLP Steering Committee (agency heads) and a Cabinet decision to proceed/accept, or not. The MLP policy has since been updated (November 2022).

We found the following transactions were accurately reflected within respective State entities' financial records, as shown below.



As part of the agreement, Finance has leased the building back and recognised a lease liability of \$84 million and a corresponding right of use asset over 15 years.

We found the evaluation process broadly followed aspects of the published MLP policy applicable at the time. However, we found there were some deviations from the policy and quidelines across multiple elements of the MLP evaluation process. Most significantly the net lettable area and rent rates, both of which were critical inputs to the value for money assessment, were still to be negotiated when the deal was conditionally approved. A Final Binding Offer and agreed terms and conditions were not presented to the decision-makers in accordance with the process outlined in the policy at the time.

The final decision makers were therefore not provided all the information relevant to considering final value for money of the arrangement.

We also noted a lack of guidance existed in Finance for how to conduct all key aspects of the MLP process, which, for this transaction, meant that the following parts of the process were either not adequately managed or documented:



Conflict of interest management

Key document creation and retention



Review of key documentation, including financial models



Minimum evaluation scores required for successful proposals



Policy and procedures



Consistency of information provided to decision makers



Appointment and management of evaluation panels



Use of expert's advice

Given our observations in relation to this matter, and pre-identified risks to the MLP process, our Office may consider further inquiries into other proposals.

Accounting procedures

During our audits we identified 47 accounting procedure issues at 26 entities. Thirteen findings were unresolved from the previous year and three of these unresolved findings were significant. The major control weaknesses included:

- using a manual contract register that was not integrated with the financial accounting system, reducing the entity's ability to monitor expenditure under contracts to avoid overpayments
- contract negotiations which had not yet commenced at one entity for a contract due to imminently expire and with a value over \$1 billion. This increases the risk that goods or services are no longer available when required or at pricing points which do not represent value for money
- background checks for contractors hired through a recruitment agency not performed at one entity. Background checks are an important mechanism for verifying the integrity and credentials of staff
- a non-common use agreement supplier engaged to provide accounting services with no contract in place at one entity. Without a contract in place, it is difficult to enforce contractual obligations and fee arrangements
- accounts receivable and other key asset reconciliations not performed regularly. If reconciliations are not performed on a regular basis and subject to an independent review, there is a risk that fraud and/or errors or misstatements may go undetected
- journal entries in one section of an entity that could be posted by one person, without appropriate supporting documentation and without evidence of review. Accounting journals can represent significant adjustments to previously approved accounting transactions and can also be used to conceal fraud. They should therefore be appropriately reviewed and approved
- no evidence that a cash count and reconciliation was performed and reviewed prior to banking
- untimely preparation and/or review of bank reconciliations. This increases the risk that errors, including fraud, are not promptly identified.

Case study 5 highlights the importance of reviewing contractor performance.

Case study 5: No formal assessment of a contractor's performance

We selected a sample of contract extensions at an entity and noted that for each of them, there was no evidence that formal performance reviews were performed prior to extensions being granted.

If the contractor's performance is not formally assessed, there is a risk that poor performing contractors are granted extensions. In addition, this limits management's ability to assess whether the contract still offers the best value for money.

Assets

We found 39 assets issues at 24 entities. Seven issues were unresolved from the previous year and one of these unresolved issues was significant.

The major control weaknesses included:

- the accuracy of fixed asset records. At one entity this included differences between the entity's asset records and the Valuer General Office's records. All entities need to ensure that they reconcile their asset records with relevant and appropriate supporting valuation records to prevent material errors in the financial statements
- inadequate policies and procedures for the valuation of assets under administration and a lack of documented evidence on file to support the valuation
- assets under construction. At one entity we found projects under construction where there had been no associated expenditure in over 12 months and instances where completed assets were not transferred to the asset register on practical completion. Projects which have reached completion should be transferred from assets under construction to the fixed asset register so that they can start booking depreciation.

Case study 6 illustrates how system errors and a lack of review can result in misstatements in the financial statements.

Case study 6: Lack of review results in \$3 million error

When testing asset additions at one entity, we found that the financial system was incorrectly calculating depreciation for additions to existing assets. In particular, the system was backdating the depreciation calculation to the date the original asset was placed in service, rather than the date the capital works were completed and/or made available for use. We estimated that this resulted in an overstatement of depreciation expense and an understatement of asset values of approximately \$3 million.

If the entity was regularly scrutinising system generated information, this error may have been avoided.

Case study 7: Cash management – sloppy salary recoup processes result in special purpose accounts being used for operational purposes

The classification of the Department of Communities restricted cash and cash equivalents of \$30.421 million (Note 7.4) is materially understated by \$27.236 million, and cash and cash equivalents of \$24.932 million (Note 7.3) is equally overstated. This error represents the outstanding balance of restricted funds owed to the Disability Services Commission (\$15.270 million) and the Housing Authority (\$11.966 million), which is reported within Payables (Note 6.4 – Trade payables).

This has occurred as a result of the fortnightly salaries reimbursements received by the Department, which administratively pays wages on behalf of the three entities, from the Commission and Housing (\$3.6 million and \$7 million respectively) exceeding the actual salaries and wages expenses incurred for staff in the two entities. These pre-determined fortnightly amounts were approved in 2020 but have not been reviewed or adjusted during the period to reflect the current staffing levels of the Commission and Housing.

The payables balances identified also exceed the Department's cash balance, indicating that the Department has used excess restricted monies to fund shortfalls in its operational cash, however, we are unable to determine the extent to which this has occurred.

By using restricted funds received for purposes other than the intended purpose appropriated by Parliament, the Department has breached the legislative provisions of section 18(2) of the FM Act and the enabling legislations of the Disability Services Commission and the Housing Authority.

The use of restricted cash for operational purposes is a concern and resulted in audit qualifications on financial statements and controls for DPIRD in the 2020-21, and a controls qualification in 2019-20. DPIRD has been working with external consultants to resolve these issues in 2022. The focus of this work is on ensuring that the closing balances of restricted cash accounts, which include funds associated with Royalties for Regions projects and special purpose accounts, are accurate at 30 June 2022. This process has taken time and has contributed, in part, to the delays DPIRD encountered in finalising its financial statements.

Revenue

We found 40 revenue control weaknesses across 23 entities. Nineteen findings were unresolved from the prior year and four of these unresolved findings were rated as significant.

These control weaknesses included:

- revenue not being banked within five days of receiving it. This increases the risk of theft
- no evidence of formal approval for fees and charges
- insufficient segregation between people receiving money and those recording the revenue in the finance system. This increases the risk of fraud
- a lack of detailed procedures and practices around receipting of revenue to enable staff to follow and implement a consistent process
- one entity's fees and charges for manufactured products have not been subject to a full review by its accountable authority to ensure the full cost is accurately determined as required by Treasurer's Instruction 810 Tariffs, Fees and Charges
- one entity that had not accurately recorded levy income in the financial statements, resulting in a material understatement of revenue in prior periods. This was corrected in 2021-22.

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 system controls

Information systems underpin most government operations and services. It is therefore important that entities implement appropriate controls to maintain reliable, secure and resilient information systems and protect them from internal and external threats. Information and cyber security threats are faced by all entities. These threats are ever changing and require entities to be responsive and continually fine tune their controls.

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

In 2021-22, we identified 431 weaknesses across 51 entities. Forty-six percent of these were unresolved issues from the previous year (in 2020-21 49% were unresolved from the prior year). Last year we reported 403 findings at 45 entities. Of the 2021-22 issues, 8% were rated as significant, 66% were rated as moderate requiring action as soon as possible and 26% were rated as minor.

Of the weaknesses identified, the majority (79%) related to information and cyber security controls:

- 29% related to access management issues. These included poor management of privileged accounts, weak passwords, lack of multi-factor authentication, legacy authentication protocols, timely removal and review of user access and monitoring of user activity
- 17% related to information security framework/governance. These included inadequate policies and processes to govern information and cyber security
- 17% 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 the workforce
- 7% related to network security issues. These included penetration tests not being performed, lack of network segregation, unauthorised device control and management of rogue wireless access points.
- Business continuity made up 9% of the findings and the remaining 12% 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 they leave entities potentially vulnerable to security incidents and disruption. Figure 8 shows the percentage of total findings made against the 10 categories of control risk.4

⁴ In 2021-22 we expanded our capability and maturity assessment to increase guidance in the area of information and cyber security. This resulted in the number of control categories increasing from six to 10.

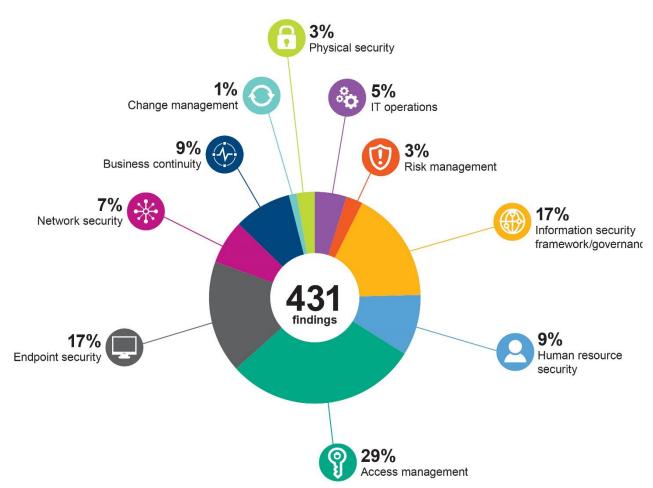


Figure 8: Information weaknesses across 10 control risk categories

A more detailed report on the results of our information systems audits is planned for the first quarter of 2023. The report will consolidate the results of State entities and provide recommendations to improve the information systems control environment.

Key performance indicators

In 2021-22 we reported 19 KPI weaknesses to 15 entities. Almost all the weaknesses need prompt or urgent attention by entities.

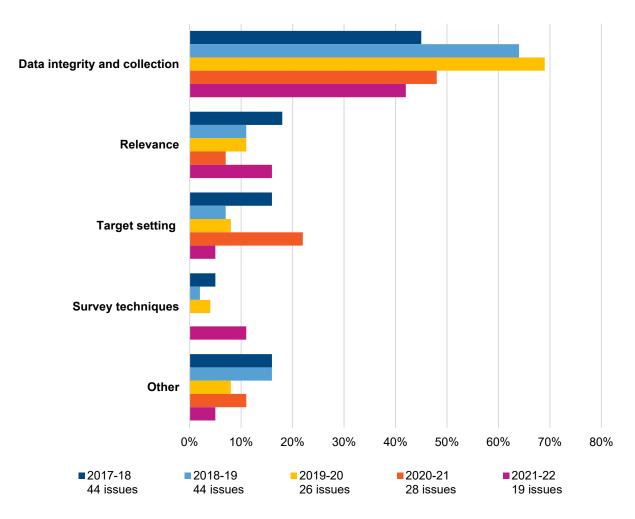
KPI weaknesses	2017-18	2018-19	2019-20	2020-21	2021-22*
Number of entities with KPI weaknesses	13	26	19	19	15
Number of KPI weaknesses rated as significant	16	18	9	5	1
Number of entities with qualified KPI opinions	4	1	1	1	0
Number of KPI weaknesses reported	44	44	26	28	19

Source: OAG

Table 6: Summary of KPI weaknesses reported to entities over the last five years

Figure 9 shows that data integrity and collection, and relevance are the key areas needing improvement.

^{*} We anticipate 2021-22 KPI findings to increase due to the nine audits that remain outstanding at 30 November 2022



Source: OAG

Figure 9: KPI control weaknesses for last five years

We reported eight control weaknesses relating to data integrity and collection to seven entities. Four findings remain unresolved from the previous year. The weaknesses included:

- inaccurate data
- inappropriate or inconsistent measurement and issues with the underlying methodology
- lack of review of the appropriateness of whether the reported indicators are an accurate representation of the entity's performance.

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.

Once again, we observed that explanations of variations between actual and targeted KPI results were not always transparent and meaningful for readers. We reiterate the need for all entities to be clear and transparent when reporting the reasons for significant variations to better inform the users of the entities' performance.

We also observed entities that had not completed a formal review of its outcome based management framework in recent years, including reviewing existing effectiveness and efficiency key performance indicators 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.

Recommendations

4. Entities should periodically review their KPIs to ensure that they are relevant, calculated reliably from complete data and include meaningful explanations for variations between actual and targeted performance.

Appendix AAR: 8.4B

Financial reporting, accountability and audit matters Impact of cloud computing arrangement costs

Issue

As we have previously reported⁵, the International Financial Reporting Interpretations Committee (IFRIC) carries out activities to support the understanding and consistent application of accounting standards. One of the ways it does so is by publishing agenda decisions when it decides that existing standards are sufficient, and a new standard is not needed. IFRIC published decisions in March 2019 and April 2021 which provided explanatory information on accounting for cloud computing costs including Software as a Service (SaaS) arrangements.

The first decision, in March 2019, concluded that SaaS arrangements are likely to be service arrangements, rather than intangible or leased assets. This is because the customer typically only has a right to receive future access to the supplier's cloud-based software and the supplier controls the intellectual property (IP) of the underlying software code.

The second decision, in April 2021, dealt with configuration and customisation costs incurred in implementing SaaS:

- In limited circumstances, certain configuration and customisation activities undertaken a) in implementing SaaS arrangements may give rise to a separate asset, where the customer controls the IP of some of the underlying software code. For example, the development of bridging modules to other systems, including other cloud-based systems or bespoke additional software capability.
- In all other instances, configuration and customisation costs will be an operating b) expense. They are generally recognised in profit or loss when the customisation and configuration services are complete or, in certain circumstances, over the lifetime of the SaaS contract.

What we found

Throughout our assessments, which included sample testing of software and licence costs to ensure that the accounting treatment complied with the new requirements, our reviews confirmed that entities' accounting treatments and financial statement disclosures were fairly presented.

Case study 8: Water Corporation

The Water Corporation reviewed the matter in 2021-22 which resulted in a change in accounting policy and the need for a restatement of prior period comparatives. The restatement, which resulted in an overall decrease to net assets of \$58 million as at 1 July 2020 and \$92 million as at 30 June 2021, is set out in Note 25.19 to the financial statements.

⁵ Office of the Auditor General, Financial Audit Results Universities and TAFEs 2021, OAG, Perth, 2022

Case study 9: Commissioner of Main Roads

The Commissioner of Main Roads reported that management assessed all possible SaaS arrangements against IFRIC criteria and identified five intangible assets meeting the criteria of a SaaS arrangement. These five assets, worth \$6.8 million, were written off from the asset register during the 2021-22 financial year.

Case study 10: Gold Corporation

Gold Corporation reported a change in accounting policy and the need for a restatement in respect of SaaS arrangements relating to their new Enterprise Resource Planning system. The pre-tax impact of this restatement resulted in a reduction in intangible assets in the prior year of \$32.7 million and a \$15.8 million increase in materials and services expenses.

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

We found that some entities are including appropriate disclosures, where relevant, and correctly accounting for these provisions, where they can be reliably estimated, to address any required remediation.

Case study 11: Department of Education

The Department has assessed all projects where aluminium composite panels were used since 2000. The Department used a more robust scope as an extra precaution and where projects were identified as having potentially combustible cladding, fire engineering assessments were undertaken. Based on further investigations and DMIRS assessment, there were 11 schools that required engineering solutions and two schools that required signage solutions.

The implementation of the proposed solutions is now subject to funding through the usual budget process. The 2022-23 State Budget allocated \$3.3 million of funding for the Department which becomes available in 2024-25.

Case study 12: Department of Training and Workforce Development

The Department has undertaken a review and consulted with all TAFE colleges to determine the number of buildings that met the criteria.

Two buildings were identified as low risk and required further investigation. Subsequently, the Department commissioned a fire safety engineer to assess the buildings and provide a performance solution report with recommendations for interim management strategies, and long-term measures which are subject to the availability of funding. The Department will be undertaking a final building assessment including investigations and testing to determine the financial impact of the remediation works.

Case study 13: Western Australian Museum

The Western Australian Museum reported that the Western Australian Maritime Museum contains a combination of glazing, concrete panels, aluminium composite panels and zinc cladding. In line with the State's coordinated approach, the Department of Local Government, Sport and Cultural Industries engaged a consultant in 2020 to prepare a work plan and a budget estimate for the remediation works. The 2022-23 State Budget allocated \$2 million of funding for the Museum for the remediation of risks to the public.

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.

Examples where managing the impacts of climate change and climate risk across the sector is significant includes improving flood and storm defences, ensuring transport networks are resilient, preparing our infrastructure and economy for higher temperatures, and food security. Over time there may be more entities that identify climate risk, not just those where there has been an apparent or direct link to weather and system impact.

The Department of Treasury and the Department of Water and Environment Regulation have issued guidance for entities to assess and manage physical climate change risks. While the

Climate Change Risk Management Guide⁶ supports entities to conduct a first-pass climate risk assessment of their physical climate risks, including identification of treatment options, both departments are working to develop a climate risk framework to monitor, assess and report on implications of climate change on the State's finances, infrastructure, physical assets and service delivery.

The extent to which entities are required to report on climate related financial risk, and the OAG to audit such disclosures, is yet to be determined. It will be influenced by international and Australian reporting standards applicable to the not-for-profit public sector and the State's financial and reporting framework. We are liaising with Treasury in this regard to ensure that the level of disclosure meets the standard and the sector has the capacity and capability to prepare and assure accurate and reliable disclosures.

What we found

We found that most entities are beginning to consider this risk and are eager to position themselves appropriately. However, they are looking for guidance to assist them in this journey.

We noted some entities undertook more detailed climate risk assessments and included disclosures in their financial statements as highlighted in the case studies below.

Case study 14: Electricity Generation and Retail Corporation (Synergy)

A large impairment loss on non-current assets of \$569 million was reported due, in part, to the State Government decision to retire state-owned coal power stations by 2030. Synergy also disclosed the impact of climate change related risk by stating that the estimated recoverable amount used in the impairment analysis considers climate change risk through the adjustment of cash inflows associated with the planned closure of all coal fired generation assets. Any further change to the planned closure dates of coal and gas-fired generation plants may have a material impact on the South West Interconnected System and Synergy's estimated cash flows.

Case study 15: Regional Power Corporation (Horizon Power)

Horizon Power disclosed in their financial statements that they had assessed climate-related impacts on recognised assets, including the impact on asset impairment and changes in the useful life of assets. The introduction of carbon pricing or carbon tax might have a potential impact on either the value or remaining useful economic life of assets that generate or relate to carbon dioxide emissions.

Case study 16: Water Corporation

The Corporation reported its consideration of climate change related risk in relation to property, plant and equipment. The Corporation has built two desalination plants since 2005 and a third is scheduled for completion in 2028 as part of a longer-term plan for securing climate-resilient water sources for Perth. At 30 June 2022, the Corporation did not

⁶ Department of Water and Environmental Regulation and Department of Treasury, *Climate change risk management guide* (interim): Practical guidance for the Western Australian public sector to assess and manage climate change risks, DWER and Treasury, Perth, 2022

believe that current or future climate change risks would have a material impact on the carrying value of property, plant and equipment.

Assurance reports on service organisation controls

Issue

The WA public sector increasingly relies on third-party vendors to deliver IT services and cloud based applications for key systems including finance and payroll.

In these arrangements, the vendor delivers services which entities would previously have run internally. However, entities remain responsible for systems' governance and need to obtain assurance that vendor service controls operate appropriately.

Assurance reports on a service organisation's controls (also known as a SOC report) provide assurance that the vendor is following good practices and maintaining an effective control environment. These reports are prepared by independent auditors and provide comfort that appropriate controls are in place to protect the confidentiality, privacy, integrity and availability of data. In particular, they provide insights on risks that may need to be considered when contracting services to third-party vendors and ongoing management during the contract.

There are two types of assurance reports for service organisation controls:

- Type 1 provides assurance on the design and implementation of controls by the thirdparty vendor. While it provides information on controls, it does not provide assurance that these controls were operating effectively. Therefore, it is not suitable for financial audit requirements.
- Type 2 provides assurance on whether the controls operated by the third-party vendor are designed and implemented appropriately and are operating effectively during the period. It is suitable for financial audit requirements.

What we found

We found that there are several entities who are not obtaining appropriate assurance reports from their cloud service vendors. These reports should include the scope of the work, auditor's opinion, information about the control environment and control effectiveness. It should also include a description of controls the entity is responsible for. Without these reports, management and accountable authorities do not know if vendor managed controls operate effectively.

We have raised this important matter, where relevant, in our discussions with management and accountable authorities at the end of the audit process. The Department of the Premier and Cabinet also has a role to provide entities with assurance for government managed cloud services contracts they oversee.

Next year we will carefully consider the impact on our audit procedures and risk assessments if entities do not obtain an appropriate assurance report (SOC or equivalent) and the need to qualify our audit opinions.

Recommendations

- 5. Entities should obtain assurance reports (SOC or equivalent) when they use third party vendors to provide cloud applications for key systems including payroll and finance.
- 6. Based on an assessment of risk, entities should also obtain adequate assurance for other vendor provided cloud and managed service arrangements.
- 7. The Department of the Premier and Cabinet should provide entities with assurance reports (SOC or equivalent) for government managed cloud services contracts they oversee.

Tabling of 2022-23 Statements of Corporate Intent

Entity requirements

Twenty-one entities are required to have their annual Statements of Corporate Intent (SCI) tabled in Parliament.

Entities are required by their Act or regulations to draft the annual 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.

Why SCIs are important

SCIs are an annual agreement between the entities listed in Table 7 and the State Government, and are an important governance and accountability mechanism. These commercially based entities undertake revenue generating activities under specific legislation passed by Parliament. As these entities operate outside of the budget process, key information about their future budgets, planning and direction is not available for parliamentary or public scrutiny until the SCIs are tabled.

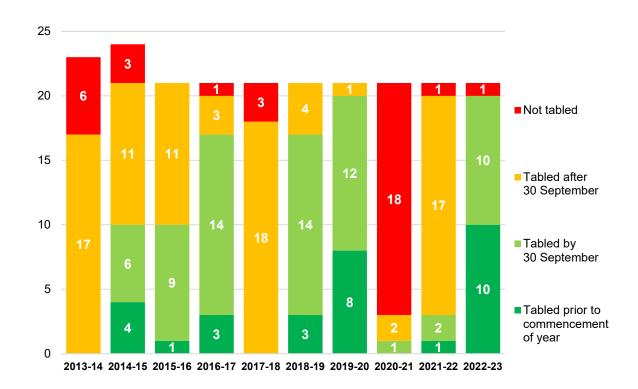
SCI information varies with each entity's legislation, but generally includes:

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

Timeliness of the tabling of SCIs has improved

Ten entities tabled their SCIs prior to the start of the 2022-23 financial year and a further 10 tabled their SCI by 30 September 2022. This is an improvement from 2020-21. The only entity not to table their SCI was Racing and Wagering Western Australia.

We have reported to Parliament on the tabling of SCIs for over 20 years. Figure 10 shows the mixed tabling achievements for the last 10 years.



Source: OAG based on Parliament's tabled papers

Figure 10: Ten year history of the tabling of SCIs at 30 November 2022

Entity name	2020-21 SCI tabled	2021-22 SCI tabled	2022-23 SCI tabled
Corporatised entities			
Bunbury Water Corporation	11/11/2020	9/11/2021	15/06/2022
Busselton Water Corporation	11/11/2020	9/11/2021	14/06/2022
Horizon Power – Regional Power Corporation	24/11/2020	1/10/2021	4/07/2022*
Electricity Generation and Retail Corporation (Synergy)	17/11/2020	1/10/2021	14/06/2022
Water Corporation	11/11/2020	9/11/2021	4/07/2022*
Western Australian Land Authority (Landcorp)	24/11/2020		13/07/2022*
Electricity Networks Corporation (Western Power)	17/11/2020	5/10/2021	29/06/2022*
Statutory authorities			
Chemistry Centre (WA)	04/11/2020	28/09/2021	11/07/2022*
Forest Products Commission	11/11/2020	26/10/2021	27/06/2022*
Gold Corporation	19/11/2020	6/10/2021	28/06/2022*
Government Employees Superannuation Board	11/08/2020	17/06/2021	22/03/2022
Insurance Commission of Western Australia	19/11/2020	13/10/2021	14/06/2022
Lotteries Commission	03/11/2020	16/09/2021	14/06/2022
Racing and Wagering Western Australia	19/11/2020	27/10/2021	

Entity name	2020-21 SCI tabled	2021-22 SCI tabled	2022-23 SCI tabled
Western Australian Land Information Authority (Landgate)	24/11/2020	12/10/2021	30/06/2022
Western Australian Treasury Corporation	19/11/2020	12/10/2021	9/08/2022
Port authorities			
Fremantle Port Authority	19/11/2020	20/10/2021	4/07/2022*
Kimberley Ports Authority	24/11/2020	20/10/2021	4/07/2022*
Mid West Ports Authority	24/11/2020	12/10/2021	4/07/2022*
Pilbara Ports Authority	19/11/2020	20/10/2021	4/07/2022*
Southern Ports Authority	19/11/2020	20/10/2021	4/07/2022*

Source: OAG based on Parliament's tabled papers

SCIs that were tabled before the start of the financial year SCIs that were tabled after publication of the Audit Results Report SCIs not tabled

Note: The late State Budgets on 8 October 2020 and 9 September 2021 impacted on tabling of 2020-21 and 2021-22 SCIs respectively.

Table 7: Dates SCIs tabled in Parliament in last three years at 30 November 2022

Current status of Treasury's reform program

Last year we reported on the introduction of full Budget papers for government trading enterprises (GTEs) as one of the key elements of the new GTE governance framework and an initiative of GTE reform.

The Government Trading Enterprises Bill 2022 was introduced into Parliament on 24 November 2022. It provides the legislative framework for the enhanced governance of 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. Treasury continues its reform program in supporting GTEs transition to the new governance framework and advising Government on the oversight of GTEs. The GTEs covered by the new regime include the electricity corporations, water corporations, port authorities and land authority.

Recommendation

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

^{*} Deemed tabled – Date the SCI was received by the Clerk of the Parliament when Parliament was not sitting.

Accounting standards changes for 2021-22

Entities applied the following new accounting standard of the Australian Accounting Standards Board (AASB) which is effective for financial years beginning on or after 1 July 2021.

Implementation of AASB 1060

The new standard, AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, was applied for the 2021-22 reporting year.

This standard is applicable to all organisations (including public sector entities) that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 *Application of Tiers of Australian Accounting Standards*. AASB 1060 has been developed based on a new methodology and principles in determining the Tier 2 disclosures that are necessary for meeting user needs, to replace the previous Reduced Disclosure Requirements (RDR) framework.

We found that all Tier 2 entities applied the standard appropriately.

Future impact of changes to accounting standards

The AASB is expected to issue a new standard amending AASB 13 *Fair Value Measurement* for not-for-profit entities in December 2022. The new standard will provide implementation guidance in respect of fair value measurements of non-financial assets not held primarily for their ability to generate net cash inflows. Although it will only be effective for financial years beginning on or after 1 January 2024 (expected), State government entities and their valuers will need to use the lead time effectively to understand its impact and plan for its implementation.

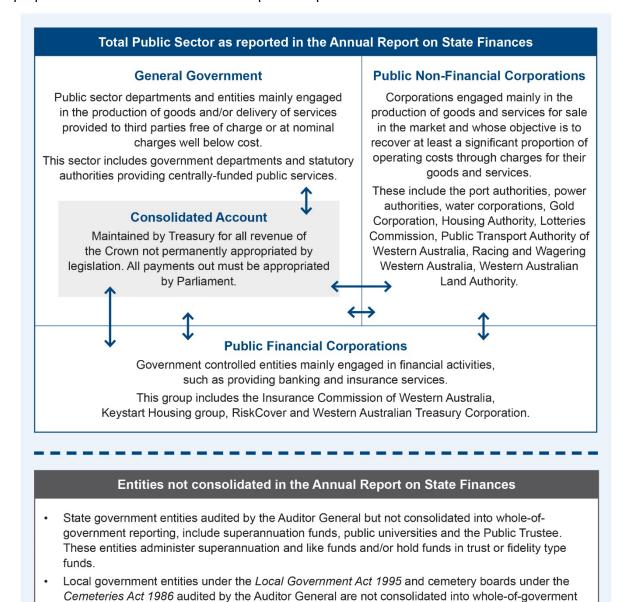
Recommendation

9. Treasury should continue to provide practical support to assist entities with the adoption of new accounting standards including guidance, training and templates to the WA public sector. Entities should continue to make timely preparations for implementation of these new standards.

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 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 government as shown in Figure 11. In addition to this consolidated financial reporting, each entity also prepares and tables its own annual report that provides detail of its individual finances.



Assets of these entities are not available for the benefit of, and/or are not controlled by, the State.

Figure 11: Financial relationships between WA government sectors

Source: OAG based on ARSF

Appendix AAR: 8.4B

Audit opinion

We issued a clear (unqualified) audit opinion on 27 September 2022, meeting the statutory reporting deadline of 90 days after the end of the financial year, being 28 September 2022. The Treasurer released the ARSF on 28 September 2022.

While the reporting deadline for the ARSF was achieved, this was not without significant challenges due to, as noted in this report, the impact of the record number of qualifications and the audit readiness (or lack thereof) of many entities.

The ARSF opinion contained an emphasis of matter paragraph for a contingent liability of the State. This related to a claim of \$28 billion made against the State in respect to a legal dispute between the parties to a State Agreement and the State Government. This claim is still current.

Highlights:

- The general government sector realised a record operating surplus of \$6 billion in 2021-22 (Figure 12).
- Total public sector net debt at 30 June 2022 was \$29.2 billion and is \$4.3 billion lower than last year, representing the third year of declining net debt. Total public sector State borrowings⁷ have declined by \$10.2 billion from 2020-21.
- The State's credit rating was upgraded to triple A ('stable' outlook) by S&P Global in June 2022.

WA's finances - selected key indicators

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

- net operating balance for the general government and total public sector
- infrastructure renewal ratio
- borrowings and unfunded superannuation
- net assets
- debt sustainability
- current trend in leave liability balances.

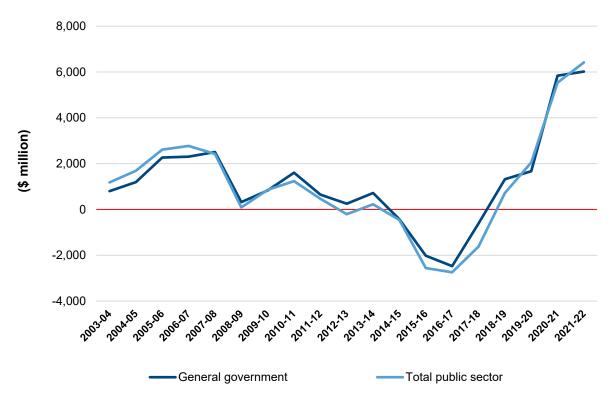
Net operating balance

Figure 12 shows the net operating balance for the general government sector and the total public sector. An operating surplus indicates that the Government can deliver day-to-day services sustainably using revenue generated in that financial year.

A record general government operating surplus of \$6 billion was recorded in 2021-22 which flowed through to the total public sector, which recorded a \$6.4 billion operating surplus.

This result is the largest operating surplus recorded by the State underpinned by continuing favourable commodity prices, strong demand for Western Australia's mineral resources, and the ability to navigate other economic uncertainties and the ongoing impact of the COVID-19 pandemic.

⁷ Excluding lease and service concession liabilities



Source: OAG based on ARSF

Figure 12: Net operating balance from 2003-04 to 2021-22

Infrastructure renewal

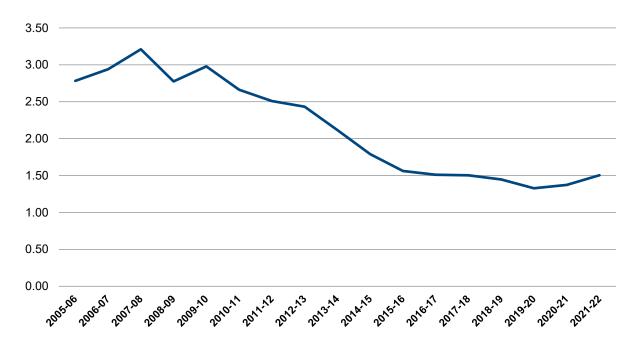
Governments face an ongoing challenge to maintain existing infrastructure and also develop and provide new assets to achieve desired social, economic and environmental outcomes.

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

Infrastructure assets mainly include land, roads, ports, water, electricity networks, hospitals and schools. These represent almost the entire balance of non-financial assets. In 2021-22, the value of non-financial assets for the total public sector increased from \$165.1 billion to \$182.1 billion.

Figure 13 indicates that although infrastructure renewal is not moving significantly, it remains above the ratio of 1.00 and now positively, is trending upwards.

The infrastructure renewal rate is a high-level indicator and caution is needed when interpreting the results. For example, this indicator does not inform on the extent to which maintenance of existing assets is prolonging their useful life and whether expenditure on maintenance is more cost effective than replacement in the longer term.



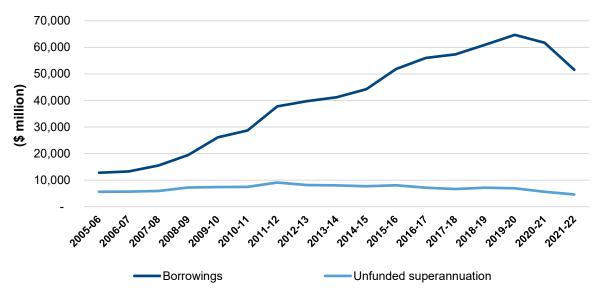
Source: OAG based on ARSF

Note: Annual expenditure on assets divided by annual depreciation

Figure 13: Infrastructure renewal ratios from 2005-06 to 2021-22

Borrowings and unfunded superannuation

Information on the State's debt is contained in the ARSF. Borrowings and the State's unfunded superannuation are significant components of this debt. The superannuation liability continued to decrease in 2021-22, mainly due to an increase in the discount rate used to measure this liability. Total borrowings⁸ also decreased by \$10.2 billion (2021: \$3 billion).



Source: OAG based on ARSF

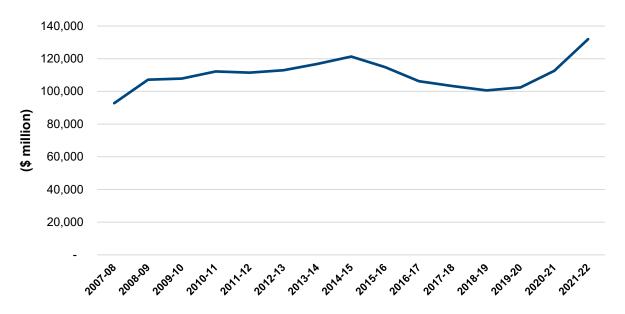
Figure 14: Borrowings and unfunded superannuation from 2005-06 to 2021-22

⁸ Excluding lease and service concession liabilities

Net assets

Net assets represent the total net worth (equity) of the State, total assets less total liabilities. The total public sector net assets increased by \$19.4 billion in 2021-22. Figure 15 shows the movement in the State's net assets position.

This was mostly driven by the record total public sector operating surplus of \$6.4 billion, an increase to total non-financial assets including the increasing value of land, property, plant and equipment, as well as a decrease in borrowings of approximately \$10.2 billion.



Source: OAG based on ARSF

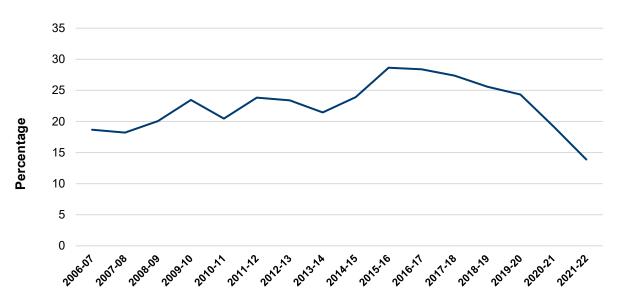
Figure 15: Net assets from 2007-08 to 2021-22

Debt sustainability

The ARSF contains important information on the State's net debt. Figure 16 reports another commonly used high level indicator relating to debt, the debt sustainability ratio. The debt sustainability ratio is the value of borrowings and unfunded superannuation liability of the total public sector as a percentage of GSP.

The State's public debt is considered sustainable if the Government is able to meet all its current and future payments obligations without any exceptional financial assistance or going into default. Public debt becomes unstable when it continues to increase as a proportion of that jurisdiction's production, or Gross State Product (GSP).

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



Source: OAG based on ARSF

Figure 16: Debt sustainability - Borrowings and unfunded superannuation as a percentage of GSP from 2006-07 to 2021-22

Current trend in leave liability balances

The total public sector annual and long service leave liability owing to employees increased by \$108.0 million, taking the balance to \$3.7 billion at year end.

This increase is due, in part, to the impact of changes to the parameters used in the valuation of these liabilities, including the Government Wages policy.

Consistent with the increasing trend in recent years, employees have taken less leave due to ongoing uncertainties around COVID-19 and the demand for front line services in response to the pandemic.

In addition, in an employment constrained market, arising from the flow on effects of border restrictions and a buoyant resources sector, entities have been challenged in recruiting (whether permanent or part-time) staff in order to build capacity. Consequently, in many instances, staff have had to postpone their leave to continue to provide services to the public. In some entities additional staff were engaged to ensure increased service demand could be met or new services delivered. This was often through labour hire organisations at pricing points reflective of the market demand.

As already noted in this report, staff across the public sector are fatigued and entities will need to continue to review their leave position and proactively manage leave liabilities as staff need leave for their health and wellbeing. It is also important for staff to take leave regularly and for the entity to develop staff to perform tasks of others. Regular and extended leave is also a sound fraud detection and prevention strategy.

The increase is also partly due to casual employees' entitlement to long service leave. Under the Long Service Act 1958, casual employees who have been employed for more than 10 years and meet continuous service requirements may be entitled to long service leave. Where entities have been able to reliably measure obligations for long service leave for casual employees, these liabilities have been recognised for the first time. However, many entities have not been able to reliably measure long service leave obligations for current or former casual employees at the reporting date. A contingent liability for this issue was again recognised in the 2021-22 ARSF (as it was for many entities). As entities conclude their assessments of casual employee's entitlements to long service leave and recognise such, it will increase the overall liability.

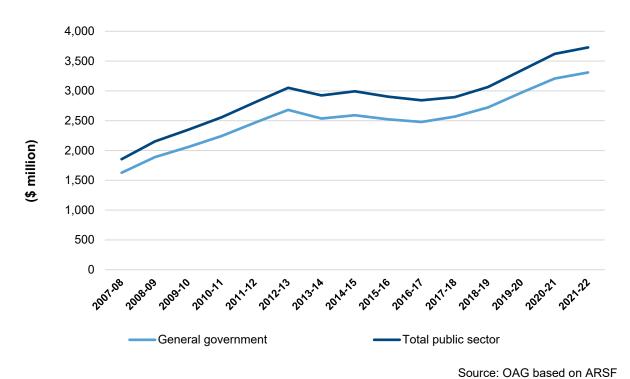


Figure 17: WA public sector annual and long service leave liabilities 2007-08 to 2021-22

Further selected significant financial transactions 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.

Selected financial transactions related to COVID-19 are not included in this report and we intend to include those in a subsequent report to Parliament.

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 significant financial transactions

Assets

- The **Art Gallery of Western Australia** reported that works of art increased by \$10 million in 2021-22 from \$332.6 million in the prior year to \$342.6 million. The increase reflects additions and donations of art works received during the year, as well independent third party revaluations.
- Commissioner of Main Roads reported a significant increase to the infrastructure assets balance of \$5.1 billion (10.4%) compared to previous year. This was mainly due to a revaluation gain of \$3.9 billion (reflective of prevailing market pricing such as cost increases for materials, equipment and labour), and additions of \$1.7 billion to infrastructure works in progress such as the Tonkin Gap and Bunbury Outer Ring Road.
- **Department of Biodiversity, Conservation and Attractions** saw a \$40 million decrease in the valuation of biological assets in 2021-22, which was largely due to the State Government decision to end commercial harvesting of native forests under the *Forest Management Plan 2024-2033*.
- **Department of Transport** recorded an increase in restricted cash and cash equivalents of \$424.4 million, primarily due to the establishment of the Westport Special Purpose Account of \$400 million.
- Western Australian Land Authority received \$344.7 million in assets and \$83.4 million in liabilities from the Housing Authority during the year as part of the Machinery of Government Land Agency Reforms. The asset movement came into effect through a non-reciprocal transfer of equity between the Housing Authority and Western Australian Land Authority and comprised 989 land parcels and 14 active project arrangements.
- Many other entities reported increases in their property, plant and equipment balances. The Annual Report on State Finances reported that land and other property, plant and equipment increased by \$13.7 billion to \$165.2 billion in 2021-22. This increase largely reflects the upward revaluation of land and property plant and equipment, and asset additions across the public sector (reflective, as previously noted, of cost increases for materials, equipment and labour etc.).

Liabilities and contingent liabilities

- The **Department of Finance** has disclosed an administered contingent liability for the Barrow Island Royalty Variation. Under certain circumstances, the Barrow Island Royalty Variation Agreement Act 1985 can require royalties to be refunded equal to approximately 40% of the net value (i.e. the value of production less eligible rehabilitation and well abandonment costs) in the final year of active operations and the subsequent three years. If triggered, the cost of any such refund would be split between the Commonwealth and WA Governments in line with the split of royalty income. The State is assessing any estimated potential financial effects.
- Department of Jobs, Tourism, Science and Innovation disclosed a contingent liability of \$28 billion in the 2020-21 financial statements, relating to a legal dispute between Mineralogy Pty Ltd and the State Government. The Department's 2021-22 financial statements reflect developments during the year and the status of the legal dispute, that being the proceedings remain in progress.
- Department of Justice was able to, for the first time, reliably measure the future claims liabilities to survivors of institutional child sexual abuse under the National Redress Scheme. This resulted in a liability of \$472.6 million being recognised.
- Department of the Premier and Cabinet disclosed \$968.3 million (2021: \$942.0 million) of administered payables associated with its obligations under the Yamatii Nation Indigenous Land Use Agreement, South West Native Title Settlement and Gibson Desert Nature Reserve Compensation Agreement.
- Department of Treasury reported a \$1 billion decrease in administered superannuation liabilities. This is largely due to changes in factors used in the valuation process such as an increase in the discount rate, a decline in unfunded scheme membership numbers and movement in demographic assumptions. This is partially offset by the recent revision to salary assumptions (latest Government Wages policy) and an increase in the Consumer Price Index rate.
- Gold Corporation is currently investigating the extent to which it has not complied with obligations imposed under legislation enacted by some states in the United States of America. It is not possible to quantify the potential financial effects, if any, of any noncompliance but this matter was disclosed as a contingent liability. In addition, they also disclosed a subsequent event in Note 36 of the financial report which states that the Australian Transaction Reports and Analysis Centre (AUSTRAC) has notified Gold Corporation to appoint an external auditor to conduct a compliance audit in accordance with the anti-money laundering and counter-terrorism financing legislative provisions.
- Western Australian Treasury Corporation's borrowings decreased by \$8.4 billion in 2021-22, due in part to repayments of borrowings. Assets and liabilities also changed to reflect market movements. The Corporation's goal is to ensure only 20% of its total debt portfolio is maturing within 12 months.

Expenditure

Department of Education's employee benefits increased by \$205.4 million (5%) from \$4.3 billion in the prior year to \$4.5 billion in 2021-22. This increase is mostly attributed to accrued salary increases of 2.75% (the rate confirmed at the time of reporting) for staff employed under the School Education Act Employees' (Teachers and Administrators) General Agreement 2021 from December 2021 (\$43 million), increases in superannuation mainly due to the superannuation guarantee increase of 0.5% (\$33 million), payout of long service leave entitlements to current casual employees (\$27 million) and an overall increase of FTEs.

- **WA Health** salary costs increased to \$5.6 billion in 2021-22 compared to \$5.1 billion in the prior year. This was due to additional demand for health services and COVID-19 preparedness and response.
- WA Police Force reported an overall increase in employee expenses of \$28.6 million compared to prior year. This was primarily due to expenses associated with the 950 Police Officer Program, additional overtime payments and annual award wage increases.
- Insurance Commission of Western Australia recorded \$627 million in claims expenses this financial year, which is \$315.4 million lower than prior year. This was predominately due to the impact of a significant increase in discount rates (based on Government Bond rates) during the year which reduced estimated future claim costs.
- Supplies and services at Public Transport Authority increased by \$110.5 million due to the external works for the Yanchep Rail Extension project and increased contractor costs for the Tonkin Gap and Thomas Road over rail works.
- Small Business Development Corporation supplies and services increased by \$1.6 million to \$8.6 million in 2021-22. This was a result of the cost for the delivery of the Small Business Friendly Approvals Program, as well as the administration of several COVID-19 related business assistance grants.
- Event operations expenses increased at **Western Australian Tourism Commission** by \$13.7 million to \$23.3 million in 2021-22. This reflects the easing of COVID-19 restrictions that caused a number of major events not able to proceed in 2020-21.

Revenue

- Adverse domestic and international market conditions impacted revenue for several entities. In particular:
 - Construction Industry Long Service Leave Payments Board went from investment gain of \$93.8 million in 2020-21 to an investment loss of \$45.2 million in 2021-22. This largely reflects an increase in unrealised losses at the reporting date.
 - The remeasurement of the fair value of the **Fire and Emergency Services Superannuation Board** investments resulted in a negative fair value change of \$75.2 million. This represents a \$146.9 million turnaround from the prior year gain of \$71.7 million.
 - O Government Employees Superannuation Board reported a decrease in the fair value of assets of \$2.7 billion, a \$7.1 billion turnaround from the prior year gain of \$4.4 billion.
- Recent Machinery of Government changes resulted in the royalties revenue collection function moving from Department of Mines, Industry Regulation and Safety to Department of Finance during 2021-22. Total royalty revenue reported in the Annual Report on State Finances fell from a historic high of \$12.2 billion to \$11.1 billion in 2021-22. This was mainly due to a reduction in the price of iron ore.
- **Department of Treasury** reported a \$2 billion increase in administered Commonwealth grant revenue. The increase is attributable to higher:
 - o receipts from GST-related grants (\$0.9 billion)
 - Northwest Shelf grants due to higher international crude oil prices (\$0.6 billion)

- HomeBuilder grants (\$0.3 billion) \cap
- capital transport infrastructure grants reflecting payments associated with METRONET construction progress (\$0.2 billion).
- There was a \$176.8 million increase in sales revenue for Electricity Generation and Retail Corporation (Synergy) in 2021-22. This largely reflects increased electricity sales volumes due to higher demand associated with weather in 2022 and higher contestable sales. Other revenue also increased by \$121.3 million from the prior year, largely as a result of additional funding provided for a series of initiatives including Project Symphony, Wholesale Energy Market – Market Readiness Program and Solar Energy for Social Housing.
- Forest Products Commission reported that sales of forest products increased by \$10.5 million to \$125.0 million in 2021-22 due to an increase in prices and supply of timber.
- Kimberley Ports Authority revenue increased \$8.3 million in 2021-22. This was due to an increase in shipping revenue attributable to a return of vessel visits to prepandemic levels, as well as additional oil and gas vessels conducting and supporting maintenance works in the Browse Basin.
- Lotteries Commission broke records again in 2021-22 with sales revenue increasing from \$1.1 billion in the prior year to \$1.2 billion for the current year. Disruptions from COVID-19 has had a positive effect on sales by restricting entertainment alternatives.
- The total number of funeral services for the Metropolitan Cemeteries Board exceeded 13,000 for the first time. This resulted in provision of services and cemeteries leases revenue increasing by \$1.7 million in 2021-22 to \$25.1 million.
- Minerals Research Institute of Western Australia income relating to State Government grants increased from \$4.6 million in the prior year to \$7 million 2021-22 partly due to funds received to deliver on the State Government's election commitment relating to the Green Steel Viability Assessment along with funding to support additional minerals research activity in focus areas of priority to the State. However, research grants expenditure decreased from \$6.1 million in the prior year to \$5.3 million in 2021-22 due to delayed expenditure being incurred across research projects.
- Overall operating revenue increased by \$204.1 million (37%) for the Western Australian Land Authority. This was mainly attributable to the sale of Elizabeth Quay Lot 4, as well as projects transferred to the Western Australian Land Authority from the Housing Authority.

Key financial ratios of public sector entities

In this section we present selected key financial ratios and information commonly used for assessing financial performance or analysing the financial health of entities.⁹

Liquidity (current) ratio for all entities – four-year trend

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

At 30 June 2022, 79% of entities had a current ratio above one, a decline compared to previous years.

Liquidity ratio	Percentage of entities				
	30/6/19 30/6/20 30/6/21 30/6/2				
Greater than or equal to 1 (low risk)	83	81	84	79	
Less than 1	17	19	16	21	

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

Table 8: Liquidity ratios of entities - four-year trend

Financial result for all entities - four-year trend

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

At 30 June 2022, 77 entities (69%) reported a surplus for 2021-22. The following table is a summary of the financial results of entities over the past four years.

Financial result	Percentage of entities 2018-19 2019-20 2020-21 2021-22			
Surplus	59	54	58	69
Deficit	41	46	42	31

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

Table 9: Financial results of entities - four-year trend

⁹ Excluding subsidiaries and entities audited by special request

Borrowings to assets 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					Trendline
Linkly	2018-19	2019-20	2020-21	2021-22	Trenamie
Corporatised entities					
Bunbury Water Corporation	0.2%	6%	5%	4%	
Fremantle Port Authority	31%	29%	27%	23%	
Horizon Power (Regional Power Corporation)	39%	38%	41%	40%	
Kimberley Ports Authority	16%	15%	13%	9%	
Mid West Ports Authority	6%	5%	4%	3%	
Pilbara Ports Authority	5%	4%	3%	4%	
Southern Ports Authority	7%	4%	3%	2%	
Synergy (Electricity Generation and Retail Corporation)	2%	11%	11%	11%	
Water Corporation	35%	33%	32%	30%	
Western Australian Land Authority	19%	18%	13%#	9%	
Western Power (Electricity Networks Corporation)	65%	64%	63%	59%	
Statutory authorities					
Country Housing Authority	51%	42%	31%	20%	
Gold Corporation	26%	24%	11%	21%	
Housing Authority	29%	32%	31%	25%	
Metropolitan Redevelopment Authority	47%	59%	0%	0%	
Public Transport Authority of Western Australia	24%	23%	25%	26%	
South Metropolitan Health Service	4%	0%	0%	0%	
Western Australian Sports Centre Trust	18%	17%	16%#	14%	
Western Australian Treasury Corporation	97%	94%	95%	98%	
Departments					
Department of Education	4%	2%	2%	2%	
Department of Finance	4%	2%	2%	2%	
Department of Fire and Emergency Services	7%	7%	6%	5%	
Department of Justice	15%	0%	0%	0%	

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

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

figure restated during 2021-22 financial year

Table 10: Borrowings to assets ratio of entities - four-year trend

Appendix AAR: 8.4B

Dividends paid by public corporations to general government

Dividends paid by public corporations contributed \$612.2 million to the general government sector financial results in 2021-22, compared to \$1.3 billion in 2020-21.

Dividends paid in 2021-22 largely reflect the State Government's decision for government trading enterprises to retain \$2.4 billion in dividend payments in 2021-22 and guarantine this cash for future infrastructure investment.

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. 10

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.

¹⁰ Government of Western Australia, Western Australia State Budget 2022-23 Budget Paper No 3 Economic and Fiscal Outlook, Government of WA, Perth, 2022, p. 240.

	2018	8-19	2019	9-20	2020	0-21	2021-22	
Entity	Dividend s paid	Surplus /deficit						
D 1 W 1	(\$ m)	(\$ m)						
Bunbury Water Corporation	1.9	3.1	2.6	2.5	2.1	1.4	0	1.9
Busselton Water Corporation	1.5	2.7	1	0.9	0.7	2.6	٨	٨
Forest Products Commission	1	1.4	0	-2.6	0	-7.9	0	-30.9
Fremantle Port Authority	34.8	49.4	12.8	46.2	34.7	54.5	0	47.5
Gold Corporation *	5	7.9 *	6	31.3 *	23.5	-11.1 ⁺	0	28.2
Horizon Power	36.6	35.9	2.4	8.9	6.7	17.0	0	10.4
Insurance Commission of Western Australia	102.6	203.8	207.5	-2.9	0	1,127.6	572.1	63.6
Kimberley Ports Authority	0	-1.7	0	-6.8	0	-3.8	0	2.6
Mid West Ports Authority	12.4	14.7	4.1	11.8	0	16.3	0	24.9
Pilbara Ports Authority	150.9	126.3	31.7	131.7	111.9	160.0	0	186.7
Southern Ports Authority	26.2	22.9	6.4	39	39	45.4	0	37.7
Synergy	18.2	-656.3	2.8	-26.7	0	-260.8	0	-423.6
Water Corporation #	605	787	4	808	642	842.0+	0	876.0
Western Australian Land Authority	37.9	6.8	8.4	2.3	168.6	17.7+	23.4	84.9
Western Australian Treasury Corporation	18.2	29.2	21.9	28.5	21.4	22.2	16.7	17.5
Western Power #	298	366	80	391	300	391.0	0	400.0
TOTAL DIVIDENDS PAID	1,350.2		391.6		1,350.6		612.2	

Source: OAG based on audited annual financial statements of entities

Table 11: Dividends paid by public corporations to general government

^{*} Owner of Gold Corporation surpluses – excludes surplus attributable to non-controlling interests

[#] financial reports present whole numbers only

[^] financial report not yet audited

⁺ figure restated during 2021-22 financial year

Appendix 1: Status and timeliness of audits

Audit opinions issued to 123 entities between 30 June 2022 and 30 November 2022 are listed below.

The entities primarily had reporting dates of 30 June or 31 July 2022. 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	S	On or before 20 days after reporting period	@	
Clear opinion with emphasis of matter or matter of significance	⊘	Between 20 and 38 days after reporting period	©	
Qualified or a disclaimer of opinion	8	More than 38 days after reporting period	©	

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
Aboriginal Affairs Planning Authority	Audit	in progress	©
Agricultural Produce Commission	Ø	1/09/2022	©
Annual Report on State Finances	Ø	27/09/2022	n/a
Board of the Art Gallery of Western Australia	Ø	13/10/2022	©
Botanic Gardens and Parks Authority	•	12/09/2022	©
Building and Construction Industry Training Board	8	5/10/2022	©
Bunbury Water Corporation	Ø	30/11/2022	©
Burswood Park Board	Ø	24/08/2022	©
Busselton Water Corporation	Audit	in progress	(20)
Chemistry Centre (WA)	Ø	24/08/2022	(2)
Child and Adolescent Health Service	Ø	1/09/2022	©
Coal Miners' Welfare Board of Western Australia	Ø	21/09/2022	©

Appendix AAR: 8.4B

Entity	Type of opinion	Opinion issued	Audit readiness
Combat Sports Commission	Ø	10/11/2022	n/a
Commissioner for Children and Young People	Ø	1/09/2022	(9)
Commissioner of Main Roads	Ø	29/08/2022	(B)
Construction Industry Long Service Leave Payments Board	•	29/08/2022	(9)
Corruption and Crime Commission	Audi	t in progress	n/a
Country Housing Authority	Ø	8/09/2022	(E)
Department of Biodiversity, Conservation and Attractions	8	19/09/2022	(9)
Department of Communities	8	16/11/2022	(B)
Department of Education	Ø	31/08/2022	(B)
Department of Finance	8	21/09/2022	(B)
Department of Fire and Emergency Services	Ø	30/08/2022	©
Department of Health	8	20/09/2022	(19)
Department of Jobs, Tourism, Science and Innovation	Ø	20/09/2022	(9)
Department of Justice	8	14/09/2022	(B)
Department of Local Government, Sport and Cultural Industries	8	23/09/2022	Ø
Department of Mines, Industry Regulation & Safety	Ø	10/09/2022	(2)
Department of Planning, Lands and Heritage	Audi	t in progress	©
Department of Primary Industries and Regional Development	Audi	t in progress	©
Department of the Legislative Assembly	Ø	21/11/2022	n/a
Department of the Legislative Council	Ø	21/11/2022	n/a
Department of the Premier and Cabinet	•	2/09/2022	(2)
Department of the Registrar, Western Australian Industrial Relations Commission		1/09/2022	(2)
Department of Training and Workforce Development	Ø	26/08/2022	(2)
Department of Transport	Ø	20/09/2022	(2)
Department of Treasury	⊘	15/09/2022	(3)

Entity	Type of opinion	Opinion issued	Audit readiness
Department of Water and Environmental Regulation	Ø	20/10/2022	(9)
Disability Services Commission	8	14/11/2022	(B)
East Metropolitan Health Service	8	19/09/2022	(B)
Economic Regulation Authority	Ø	7/09/2022	(2)
Edith Cowan University Subsidiaries:			
Australian Pathway Education Group	Ø	30/11/2022	n/a
Edith Cowan Accommodation Holdings Pty Ltd		30/11/2022	n/a
Edith Cowan University Hold Trust	Audit	t in progress	n/a
Electricity Generation and Retail Corporation – Synergy Subsidiaries:	•	5/09/2022	(2)
South West Solar Development Holdings Pty Ltd	Ø	10/10/2022	n/a
Synergy Renewable Energy Development Pty Ltd	Ø	10/10/2022	n/a
Electricity Networks Corporation – Western Power	Ø	31/08/2022	(9)
Energy Policy WA (DMIRS Division)	Ø	08/09/2022	(3)
Fire and Emergency Services Superannuation Board	•	30/09/2022	(9)
Forest Products Commission		8/09/2022	(19)
Fremantle Port Authority		31/08/2022	(2)
Gaming and Wagering Commission of Western Australia	8	24/11/2022	Ø
Gold Corporation		11/09/2022	(2)
Government Employees Superannuation Board	Ø	05/09/2022	Ø
Governor's Establishment	Audit	t in progress	n/a
Health and Disability Services Complaint Office	•	9/08/2022	(9)
Health Support Services	8	3/09/2022	(3)
Heritage Council of Western Australia	Ø	30/11/2022	(20)
Housing Authority Subsidiaries:	8	25/11/2022	©

Entity	Type of opinion	Opinion issued	Audit readiness
Goldmaster Enterprises Pty Ltd	•	30/11/2022	n/a
Keystart Bonds Ltd	Ø	5/10/2022	n/a
Keystart Housing Scheme Trust		5/10/2022	n/a
Keystart Loans Ltd	Ø	5/10/2022	n/a
Infrastructure WA	Ø	17/08/2022	(B)
Insurance Commission	Ø	8/09/2022	(B)
Keep Australia Beautiful Council (W.A.)	Ø	20/09/2022	Ø
Kimberley Ports Authority	Ø	16/09/2022	(2)
Landcare Trust (1 July 2021 to 25 June 2022)	Ø	26/08/2022	n/a
Law Reform Commission of Western Australia	Ø	13/09/2022	Ø
Legal Aid Commission	O	5/09/2022	(2)
Legal Contribution Trust	Ø	30/09/2022	(B)
Legal Costs Committee	Ø	13/09/2022	(B)
Library Board of Western Australia	Ø	7/09/2022	(B)
Local Health Authorities Analytical Committee	Ø	15/09/2022	©
Lotteries Commission	8	5/10/2022	(B)
Mental Health Commission	Ø	16/09/2022	(B)
Metropolitan Cemeteries Board	Ø	31/08/2022	(19)
Metropolitan Redevelopment Authority	Ø	28/09/2022	©
Mid West Ports Authority	Ø	24/08/2022	Œ
Minerals Research Institute of Western Australia	Ø	17/08/2022	(9)
National Trust of Australia (WA), The	Ø	25/08/2022	Ø
North Metropolitan Health Service	8	14/09/2022	(20)
Office of the Director of Public Prosecutions	Ø	11/08/2022	(2)
Office of the Information Commissioner	Ø	18/11/2022	(2)
Office of the Inspector of Custodial Services	Ø	30/09/2022	n/a

Entity	Type of opinion	Opinion issued	Audit readiness
Parliamentary Commissioner for Administrative Investigations	Ø	12/09/2022	(9)
Parliamentary Inspector of the Corruption and Crime Commission	Ø	12/09/2022	(19)
Parliamentary Services Department	Ø	21/11/2022	n/a
PathWest Laboratory Medicine WA	8	30/09/2022	(20)
Perth Theatre Trust	Ø	11/10/2022	©
Pilbara Ports Authority Subsidiary: Hedland Maritime Initiative Pty Ltd	00	31/08/2022 3/10/2022	(1) n/a
Police Force	8	19/09/2022	(20)
Professional Standards Council of Western Australia	Ø	11/10/2022	Ø
Public Sector Commission	Ø	2/09/2022	(20)
Public Transport Authority	Ø	13/09/2022	(20)
Public Trustee	8	15/09/2022	(20)
Quadriplegic Centre	Ø	9/08/2022	(B)
Queen Elizabeth II Medical Centre Trust	Ø	29/08/2022	(9)
Racing and Wagering Western Australia	Ø	24/10/2022	Ø
Racing Penalties Appeal Tribunal		13/10/2022	n/a
Regional Power Corporation – Horizon Power	Ø	8/09/2022	@
Rottnest Island Authority		16/09/2022	(2)
Rural Business Development Corporation	Ø	13/09/2022	®
School Curriculum and Standards Authority	•	19/09/2022	n/a
Small Business Development Corporation	Ø	30/08/2022	(2)
South Metropolitan Health Service	8	19/09/2022	3
Southern Ports Authority	Ø	30/08/2022	(2)
State Solicitor's Office	8	20/09/2022	Ø
Swan Bells Foundation Incorporated	Ø	16/09/2022	Ø
Trustees of Public Education Endowment	Ø	14/09/2022	(2)

Appendix AAR: 8.4B

Entity	Type of opinion	Opinion issued	Audit readiness
University of Western Australia, The Subsidiary: Perth International Arts Festival	Ø	30/09/2022	n/a
WA Country Health Service	8	20/09/2022	(2)
Water Corporation	Ø	1/09/2022	(B)
Western Australian Coastal Shipping Commission	Ø	13/09/2022	©
Western Australian Electoral Commission	Ø	9/11/2022	n/a
Western Australian Energy Disputes Arbitrator	Ø	08/09/2022	Ø
Western Australian Greyhound Racing Association	Audit in progress		n/a
Western Australian Health Promotion Foundation	8	30/09/2022	(2)
Western Australian Land Authority	Ø	28/09/2022	(2)
Western Australian Land Information Authority	Ø	13/10/2022	Ø
Western Australian Meat Industry Authority	Ø	13/09/2022	©
Western Australian Museum, The	Ø	2/09/2022	(B)
Western Australian Planning Commission	Audit in progress		n/a
Western Australian Sports Centre Trust	Ø	13/10/2022	Ø
Western Australian Tourism Commission	Ø	4/10/2022	Ø
Western Australian Treasury Corporation	Ø	25/08/2022	Ø
WorkCover Western Australia Authority	Ø	31/08/2022	Ø
Zoological Parks Authority	Ø	13/09/2022	(B)

Source: OAG

Request audits – audits requested by the Treasurer under the <i>Auditor General Act 2006</i> do not have a statutory date for submitted financial statements		
The Delegate of the Queen Elizabeth II Medical Centre Trust – Clear opinion with EOM paragraph	Ø	
Tertiary Institutions Service Centre Ltd – Clear opinion with EOM paragraph	⊘	

Source: OAG

Appendix 2: Outstanding audits at 30 November 2022

Entity	Balance date	Reason for delay
Aboriginal Affairs Planning Authority	30 June 2022	Agreed timeframes for completing the financial statements and KPIs were not met. Refer to the Department of Planning, Lands and Heritage below. At 30 November the audit is currently being finalised.
Busselton Water Corporation	30 June 2022	The Busselton Water Corporation had historical tax accounting issues which it needed to resolve before finalising its financial reports. This has resulted in delays into 2023.
Corruption and Crime Commission	30 June 2022	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. At 30 November the audit is being finalised.
Department of Planning, Lands and Heritage	30 June 2022	The Department did not meet agreed timeframes for submitting the financial statements and KPIs to our Office, mainly as a result of delays including the impact of COVID-19 on core staffing and delays in receiving critical valuation data. These delays also impacted the completion of financial statements and KPIs for the Aboriginal Affairs Planning Authority, Heritage Council of Western Australia and Western Australian Planning Commission, which the Department also prepares. As a result, we made the decision to defer all four of these audits to allow the Department time to be audit ready, and so as to not jeopardise the progress of our remaining scheduled State audits. At 30 November the audit is currently being finalised.
Department of Primary Industries and Regional Development	30 June 2022	In 2022, the Department implemented a new finance and payroll system and worked with external consultants to resolve a prior year audit qualification relating to restricted cash. When combined with staff resourcing constraints and illness, it meant that the Department was unable to meet agreed timeframes for completing the financial statements and key performance indicators. Finalisation of the audit has been deferred and will be completed in early 2023 when our Office has available staff resources to complete it. While material balances were cleared for the ARSF, we have not yet been back to recommence the audit at the time of this report.
Edith Cowan University Hold Trust	30 June 2022	The audit was completed as planned but was unable to be finalised by our Office in order to prioritise State government entity audits. At 30 November the audit is currently being finalised.

Appendix AAR: 8.4B

Entity	Balance date	Reason for delay
Western Australian Greyhound Racing Association	31 July 2022	The Association implemented a new finance and payroll system during the year which resulted in delays in preparing the financial statements and KPIs. We deferred the audit to allow the Association time to be audit ready and for our Office to have staff resources available to complete the audit. We expect to complete the audit in early 2023.
Western Australian Planning Commission	30 June 2022	Agreed timeframes for completing the financial statements and KPIs were not met. Refer to the Department of Planning, Lands and Heritage above. At 30 November the audit is currently being finalised.
Governor's Establishment	30 June 2022	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. At 30 November the audit is currently being finalised.

Source: OAG

Appendix 3: Qualified opinions

Enti	ty	Details of qualification
		We identified significant control weaknesses in 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.
		Qualified opinion on controls
		We identified significant weaknesses in the payroll controls implemented by the Department. 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.
5.	Department of	Qualified opinion on controls
	Health	Significant weaknesses were identified in network security controls and controls over unauthorised connection of devices at the Department. These weaknesses could result in a potential security exposure to the network to increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.
6.	Department of	Qualified opinion on controls
	Justice	Significant weaknesses were identified in the design and implementation of payroll controls by the Department to prevent invalid and inaccurate payroll payments. Consequently, the weaknesses could result in errors such as overpayments and payments to individuals who are not entitled to receive payment.
7.	Department of	Qualified opinion on financial statements
	Local Government, Sport and Cultural Industries	We were unable to determine whether Taxation – Casino Tax is fairly stated due to the significant weaknesses in the control over the completeness of revenue, specific to the administered revenue. We were unable to confirm or verify by alternative means:
		 Taxation – Casino Tax forming part of the Administered Schedule – Income and related disclosures in Note 10.2, Explanatory Statement for Administered Items, amounting to \$49.2 million (2021: \$54.7 million)
		 the associated Receivable reported within the Administered Schedule – Assets and Liabilities amounting to \$4.3 million (2021: \$3.9 million).
		As a result of these matters, we were unable to determine whether any adjustments might have been necessary.
		Qualified opinion on controls
		We identified significant weaknesses in the validation of the completeness of revenue, specific to the administered revenue, Taxation – Casino Tax. 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.
		Qualified opinion on controls
		Significant weaknesses were identified in the procurement controls implemented by the Department. The controls were inadequate with purchase orders, in many instances, being raised after the receipt of an invoice. These weaknesses increase the risk of erroneous or

Entity		Details of qualification
		fraudulent payments and ordering of inappropriate or unnecessary goods or services.
		Qualified opinion on controls
		We identified significant weaknesses in the payroll system, processes and leave management controls as designed and implemented by the Department. These weaknesses could result in unauthorised access to the Department's payroll system and increase the risk of erroneous or fraudulent payments. Salary errors such as overpayments, payments to individuals who are not entitled to receive payment and overstated leave balances could occur. Consequently, controls to prevent invalid and inaccurate payroll payments were inadequate throughout 2021-22.
		Qualified opinion on controls
		Significant weaknesses were identified in the management of access to the network and key systems. These weaknesses combined with policy and technical control issues 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 2021-22.
8.	Disability Services	Qualified opinion on financial statements
	Commission	The Commission has overpaid \$1.5 million to the Department of Communities for the Commission's incurred salaries and wages expenses during the reporting period. The Commission has 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 the period. The overpayment of funds for expenses that have not been incurred breaches the legislative provisions of the section 18(2) of the FM Act and section 15(3) of the <i>Disability Services Act 1993</i> .
		Qualified opinion on controls
		Significant weakness were identified in cash management controls designed and implemented by the Commission during the period. Funds intended for salaries and wages expenses were paid by the Commission to the Department of Communities well in excess of the actual salaries and wages expenses incurred.
		Qualified opinion on controls
		The Commission has insufficient controls to mitigate significant weaknesses in the entity providing services 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.
		Qualified opinion on controls
		Significant weaknesses were identified in the payroll controls implemented by the Commission. These weaknesses could result in salary errors such as overpayments or payments to individuals who are not entitled to receive payment. Consequently, controls to prevent invalid and inaccurate payroll payments were inadequate.
9.	East Metropolitan	Qualified opinion on controls
	Health Service	Significant weaknesses were identified in network security controls and controls over unauthorised connection of devices at the East Metropolitan Health Service. These weaknesses could result in a

Entit	у	Details of qualification
		potential security exposure to the network and increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.
10.	Gaming and	Qualified opinion on controls
Wagering Commission		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. Without effective controls there is an increased risk of material misstatement of Racing Bets Levy revenue due to fraud or error.
11.	Health Support	Qualified opinion on controls
	Services	Significant weaknesses were identified in controls over inventory (receiving, recording and distribution) at Health Support Services, including the controls and management of rapid antigen tests. These weaknesses could result in misappropriation of inventory and the misstatement of the inventory balances in the financial statements.
12.	Housing Authority	Qualified opinion on financial statements
		The Authority has overpaid \$11,966,000 to the Department of Communities for the Authority's incurred salaries and wages during the year. The Authority has 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 the period. The overpayment of funds for expenses that have not been incurred breaches the legislative provisions of section 18(2) of the FM Act and section 24 of the Government Employee's Housing Act 1964.
		Qualified opinion on controls
		Significant weaknesses were identified in the design and implementation of cash management controls. Funds intended for salaries and wages expenses were paid by the Authority to the Department of Communities in excess of the actual salaries and wages expenses incurred.
		Qualified opinion on controls
		Significant weaknesses were identified in the controls to mitigate significant weaknesses in the entity providing services 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.
		Qualified opinion on controls
		Significant weaknesses were identified in the payroll controls. 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.
13.	Lotteries	Qualified opinion on controls
	Commission	A significant weakness was identified in general computer controls implemented by the Commission. This weakness could result in unauthorised access and inappropriate changes to the Commission's financial system that may not be detected. This access could be used

Entity		Details of qualification	
		to override management controls that prevent fictitious or fraudulent transactions and could undermine the integrity of data used to prepare the financial statements.	
14.	North Metropolitan	Qualified opinion on controls	
	Health Service	Significant weaknesses were identified in network security and remote access controls at the North Metropolitan Health Service. These weaknesses could result in a potential security exposure such as unauthorised access to sensitive information and an increased risk of information loss. The weaknesses exposed the network to increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.	
15.	PathWest	Qualified opinion on controls	
	Laboratory Medicine WA	Significant weaknesses in network security and remote access controls were identified at PathWest. These weaknesses could result in a potential security exposure to the network and increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.	
16.	Police Force	Qualified opinion on controls	
		A significant weakness was identified in general computer controls implemented by the Police Force from 1 July 2021 to 12 May 2022. This weakness could result in unauthorised access and inappropriate changes to the Police Force's financial system without being detected. This access could be used to override management controls that prevent fictitious or fraudulent transactions and could undermine the integrity of data used to prepare the financial statements.	
17. Public Trustee Qualified opinion on controls		Qualified opinion on controls	
		Significant weaknesses were identified in the design and implementation of payroll controls by the Public Trustee to prevent and detect invalid and inaccurate payroll payments. Consequently, the weaknesses could result in errors such as overpayments and payments to individuals who are not entitled to receive payment.	
18.	South Metropolitan	Qualified opinion on controls	
	Health Service	Significant weaknesses were identified in network security controls and controls over unauthorised connection of devices at the South Metropolitan Health Service. These weaknesses could result in a potential security exposure to the network and increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.	
19.	State Solicitor's	Qualified opinion on controls	
	Office	Significant weaknesses were identified in the design and implementation of payroll controls by the State Solicitor's Office to prevent and detect invalid and inaccurate payroll payments. Consequently, the weaknesses could result in errors such as overpayments and payments to individuals who are not entitled to receive payment.	
20.	WA Country Health	Qualified opinion on controls	
	Service	Significant weaknesses were identified in network security and unauthorised device access controls at the WA Country Health Service. The combined weaknesses could undermine the confidentiality and integrity of sensitive information and data across all systems, including the financial system and disruptions to services.	

Entity		Details of qualification
21.	Western Australian Health Promotion Foundation	Qualified opinion on controls We identified that the Foundation has 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. This weakness could result in unauthorised access and inappropriate changes to the Foundation's financial system without being detected. This access could be used to override management controls that prevent fictitious or fraudulent transactions and could undermine the integrity of data used to prepare the financial statements.

Appendix 4: Prior year qualified opinions removed in 2021-22

Entity	Details of prior year qualification	
Public Transport Authority	In 2020-21, Public Transport Authority received a qualified opinion relating to controls over purchases for capital and operating expenditure that were inadequate to ensure conflict of interest declarations were made and disclose prior to contracts being awarded to service providers. Furthermore, controls were also inadequate to prevent invoice splitting and to ensure purchase ordewere prepared and approved before goods or services had been received. In 2021-22, we did not find significant weaknesses in Public Transport Authority's procurement controls.	
Quadriplegic Centre	 In 2020-21, Quadriplegic Centre received a qualified opinion relating to: Non-compliance with Treasurer's Instruction 304 due to purchase orders and invoices not always signed by incurring and certifying officers. In addition, there was no evidence of the goods being received as part of the overall process. User access rights in both the financial and payroll system were not monitored and password controls not implemented leading to an increased risk of unauthorised access to sensitive information. Journal entries were processed with no evidence of independent review and approval by a senior staff member and adequate supporting documentation not retained. In 2021-22, we found the issues identified in the control's qualification were 	
Racing and Wagering Western Australia	In 2020-21, Racing and Wagering Western Australia received a qualified opinion relating to inadequate controls over procurement to ensure that sufficient quotes were obtained and that purchase orders were prepared and approved before goods and services were received. Furthermore, there were a number of instances where the requirements of Treasurer's Instruction 323 <i>Timely Payment of Accounts</i> were not complied with and where a review of a supplier's performance was not undertaken and documented prior to the extension of a contract. Additionally, Racing and Wagering Western Australia was not, in all instances, complying with the requirements of its own purchasing and procurement policies. In 2021-22, we found that Racing and Wagering Western Australia had improved upon the issues with procurement that formed the basis for a qualified controls opinion in the prior year.	
Western Australian Sports Centre Trust (VenuesWest)	In 2020-21, Western Australian Sports Centre Trust received a qualified opinion on controls as testing identified significant weaknesses in implemented general computer controls. The weaknesses could have resulted in inappropriate or unauthorised access to the Trust's financial system and sensitive information and increased the risk of information loss. The access could have also been used to override management controls preventing fictious or fraudulent transactions that could undermine the integrity of the data. In 2021-22, we found that Western Australian Sports Centre Trust had taken action to address the control weaknesses.	

Appendix 5: Matters of significance included in auditor's reports

Entity	Description of matter of significance paragraphs	
Department of the Premier	The Department received an exemption from the Under Treasurer from reporting the following KPI for the year ended 30 June 2022:	
and Cabinet	Average cost to support the Royal Commission to report into Crown Perth's suitability to operate its Burswood Casino per applicable full time equivalent.	
	The exemption was approved in recognition of the short-term nature and discrete scope of work associated with the Royal Commission, which made it not feasible to periodically report this performance indicator. Consequently, this indicator has not been reported. The opinion is not modified in respect of this matter.	
Department of Treasury In April 2022, the Department received a direction from the Treasurer usection 61(1)(b) of the FM Act, that it was not required to report efficient indicators for the year ended 30 June 2022, as well as subsequent finally years. Consequently, these indicators have not been reported for the year 30 June 2022. The opinion is not modified in respect of this matter.		
Mental Health Commission The Commission received an exemption from the Under Treasurer reporting seven key efficiency indicators for the year ended 30 June outlined in the Treasury Exempted Key Efficiency Indicators section audited KPIs report.		
	The exemption was approved due to difficulties in the Commission's ability to complete its validation audit for these key efficiency indicators within the required timeframe, because of COVID-19 restrictions. Consequently, these KPIs have been reported as estimates and have not been audited. The opinion is not modified in respect of this matter.	

Appendix 6: Emphasis of matter paragraphs included in auditor's reports

The following list describes the matters that we highlighted through EoM paragraphs in 2022 audit reports:

Entity	Description of emphasis of matter paragraphs
Annual Report on State Finances	Contingent liability – A contingent liability has been disclosed in Note 33 of Appendix 1 of the Annual Report on State Finances, recognising that a claim of \$28 billion was made against the State in respect of a legal dispute between the parties to a State Agreement and the WA Government. This claim is still current. The opinion is not modified in this regard.
Australian Pathway Education Group Pty Ltd	Basis of accounting – The opinion draws attention to Note 1(a) to the financial report which describes the basis of accounting and that the financial report has been prepared on a liquidation basis for the reasons set out therein. The opinion is not modified in respect of this matter.
Bunbury Water Corporation	Restatement of comparative balances — The opinion draws attention to Note 9 to the financial report which states that the amounts reported in the previously issued 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.
Child and Adolescent Health Service	Restatement of comparative balances — The opinion draws attention to Note 9.15 to the financial statements which states that the amounts reported in the previously issued 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.
Department of Jobs, Tourism, Science and Innovation	Contingent liability – A contingent liability has been disclosed in Note 7.2.2 of the financial statements, recognising that a claim of \$28 billion was made against the State in respect of a legal dispute between the parties to a State Agreement and the WA Government. This claim is still current. The opinion is not modified in this regard.
Department of the Registrar, Western Australian Industrial Relations Commission Commission Key efficiency indicators — As reported in the KPIs, the Department has not reported key efficient indicators for Service 2 'Conciliation and Arbitration by the Western A Industrial Relations Commission'. Service 2 relates to the Commission was established under the Industrial Relations Act 1979. As the Commission and Affiliated body and not subject to the operational control of the Dekey efficiency indicators are not reported for the Commission by the Department. The audit opinion is not modified in respect of this matter.	
Department of Water and Environmental Regulation	Restatement of comparative balances — The opinion draws attention to Note 8.2 to the financial statements which discloses that: • Amounts related to waste levy debt reported in the previously issued 30 June 2021 financial statements have been restated and disclosed as comparatives in these financial statements. • Groundwater measurement sites that had not previously been recognised have been recorded in this year's financial statements. Amounts reported in the previously issued 30 June 2021 financial statements have not been restated due to impracticability of retrospective restatement.

Entity	Description of emphasis of matter paragraphs		
The opinion is not modified in respect to these matters.			
Electricity Generation and Retail Corporation (Synergy)	Impairment loss – The opinion draws attention to Notes 3.3 and 5.1 to 5.3 of the financial report which discloses that the Group has recognised an impairment loss of \$569.5 million. Contingent liability – The opinion draws attention to Note 6.2 of the financial report, which describes		
	the status of the investigation by the Economic Regulation Authority on the Corporation's pricing in its balancing submission made in the Western Australian Wholesale Electricity Market. The opinion is not modified in respect of these matters.		
E.P.O.	·		
Edith Cowan Accommodation Holdings Pty Ltd	Basis of accounting and restriction on distribution and use — 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>Australian Charities and Not-for-profits Commission Act 2012</i> . As a result, the financial report may not be suitable for another purpose. The report is intended solely for the company and should not be distributed to or used by parties other than the company. The opinion is not modified in respect of this matter.		
Gold Corporation	Change in accounting policy – The opinion draws attention to Note 2(a)(i) of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. Subsequent event –		
	The opinion draws attention to Note 36 of the financial report which states that the Australian Transaction Reports and Analysis Centre (AUSTRAC) has notified Gold Corporation to appoint an external auditor to conduct a compliance audit in accordance with the anti-money laundering and counterterrorism financing legislative provisions.		
Health Support Services	Inventory balances — The opinion draws attention to Notes 6.2 and 9.1 of the financial statements which detail the significant increase in inventory balances in 2022, particularly in relation to the procurement and write down of rapid antigen tests. Note 9.1 also details a 50% write down of rapid antigen tests that are currently quarantined following recent advice from the Therapeutic Goods Administration. The opinion is not modified in respect of these matters.		
Housing Authority	Restatement of comparative balances — The opinion draws attention to Note 9.2 of the financial statements which states that the amounts reported in the previously issued 30 June 2021 financial statements have been restated and disclosed as comparatives in the current year's financial statements. The opinion is not modified in this regard.		
Keystart Bonds Ltd	Basis of accounting and restriction on distribution and use — 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 on a liquidation basis for the reasons set out therein. The financial report is intended solely for the Keystart Bonds Ltd and should not be distributed to or be used by other parties. The opinion is not modified in respect of this matter.		
Keystart Loans Ltd	Basis of accounting and restriction on distribution and use – 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		

Entity	Description of emphasis of matter paragraphs	
	another purpose. The report is intended solely for Keystart Loans Ltd and should not be distributed to or be used by other parties. The opinion is not modified in respect of this matter.	
Queen Elizabeth	Basis of accounting and restriction on distribution and use –	
Il Medical Centre Trust, The Delegate to the	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 report is intended solely for the delegate and should not be distributed to or used by parties other than the delegate. The opinion is not modified in respect of this matter.	
South West	Basis of accounting –	
Solar Development Holdings Pty Ltd (Synergy)	The opinion draws attention to Note 2(a) 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>Electricity Corporations Act 2005</i> .	
Synergy	Basis of accounting –	
Renewable Energy Development Pty Ltd (Synergy)	The opinion draws attention to Note 2(a) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the director's financial reporting responsibilities under the <i>Electricity Corporations Act 2005</i> .	
Tertiary	Basis of accounting –	
Institutions Service Centre Ltd	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 director's financial reporting responsibilities under 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. The opinion is not modified in respect of this matter.	
Water	Restatement of comparative balances –	
Corporation	The opinion draws attention to Note 25.19 to the financial report which states that the amounts reported in the previously issued 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.	
Western	Restatement of comparative balances –	
Australian Land Authority	The opinion draws attention to Note 1(I) of the financial statements which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report for the year-ended June 2022. The opinion is not modified in respect of this matter.	
Western	Restatement of comparative balances –	
Australian Sports Centre Trust	The opinion draws attention to Note 5.5 to the financial statements which states that amounts reported in the previously issued 30 June 2021 financial statements have been restated and disclosed as comparatives in these financial statements. The opinion is not modified in respect of this matter.	

Appendix 7: Audit certifications

The following 10 certifications were complete between 17 August 2022 and 30 November 2022. Unless stated, the certifications were for the year ended 30 June 2022.

Department of Local Government, Sport and Cultural Industries Electricity Generation and Retail Corporation	National Health Funding Pool Act 2012 (WA): Western Australian State Pool Account Local Government (Financial Assistance) Act 1995: Statement of payments made to local government entities under the Act Compliance: with Part 2 Divisions 1 and 2 of the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 and with the Segregation and Transfer Pricing Guidelines 2020 throughout the year ended 30 June 2022	25/08/2022 14/10/2022 7/10/2022
Government, Sport and Cultural Industries Electricity Generation and Retail Corporation	1995: Statement of payments made to local government entities under the Act Compliance: with Part 2 Divisions 1 and 2 of the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 and with the Segregation and Transfer Pricing Guidelines 2020	
and Retail Corporation	Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 and with the Segregation and Transfer Pricing Guidelines 2020	7/10/2022
	throughout the year chided 50 bund 2022	
(6 F F F	Compliance: with Electricity Generation and Retail Corporation Regulatory Scheme as evaluated against the requirements of Part 3 Division 1 of the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 and with the Electricity (Standard Products) Wholesale Arrangements 2014 throughout the year ended 30 June 2022	7/10/2022
Services (Superannuation Board r	Australian Prudential Regulation Authority (APRA): Independent auditor's report on APRA reporting forms and reasonable assurance report on compliance	30/09/2022
	APRA: Limited assurance report on compliance by independent auditor	30/09/2022
l (Australian Securities and Investment Commission: Auditor's report on Australian financial services licensee (Form FS71) under the Corporations Act 2001	30/09/2022
٦	Trustee entity's financial statements	30/09/2022
Trustee for Keystart (Housing Scheme Trust	Australian Prudential Regulation Authority (APRA): ABS/RBA Audit requirements for Registered Financial Corporations – EFS collection ("RRS 710")	31/10/2022
	Road Trauma Trust Account funding: Alcohol Interlocks Assessment and Treatment Services	21/10/2022

Appendix 8: Royalties for Regions certifications

Clear certification opinions were issued for the annual 2021-22 statements of receipts and payments of six approved projects funded under the *Royalties for Regions Act 2009*.

The Department of Primary Industries and Regional Development is responsible for the current governance processes for Royalties for Regions funded projects with State government entities. Entities are required to provide a cumulative expenditure report in March each year, detailing expenditure to date for the current year for all projects of that entity.

In 2021-22, the Department of Primary Industries and Regional Development decided to only require an audited annual report in the final year of the project. This has resulted in a decrease in the number of certifications issued in 2021-22.

We issued audit opinions for each Royalties for Regions project statement of receipts and payments listed below. The opinions were that, in all material respects, the funding was used as approved by the existing memorandum of understanding or in accordance with the new terms and conditions agreed when the funding was approved.

Delivering entity	Royalties for Regions approved projects	Date certification issued
Regional Community Services Fund		
Department of Finance	Jurien Bay Civic Centre Outgoings	8/11/2022
	Bunbury Regional Prison	25/10/2022
Department of Justice	Kimberley Juvenile Justice Strategy	25/10/2022
	Regional Youth Justice Strategic Kimberley and Pilbara Expansion	25/10/2022
Department of Water and Environmental Regulation	Regional Estuaries Initiative	26/10/2022
Small Business Development Corporation	Collie Tourism Readiness and Economic Stimulation	29/09/2022

Appendix 9: Local government entities audited

For 2020-21, we were responsible for auditing the financial statements of all 148 local government entities. The results of 132 entities were tabled in Parliament on 17 August 2022. Below are the results for 11 of the outstanding entities, with the remaining five still to be completed. Results for the 30 June 2022 financial year will be reported in a separate report on local government.

Local government entities Auditor's report on 2020-21 financial reports completed since 17 August 2022	Opinion issued	Elapsed days since 30 June 2021
City of Bayswater	2/09/2022	429
City of Fremantle	5/08/2022	401
Shire of Boyup Brook – Qualified opinion At 30 June 2020, we were unable to obtain sufficient appropriate audit evidence to verify the existence and number of sheep nor were we able to confirm the biological assets by alternative means at that date. The audit opinion on the financial report for the period ended 30 June 2020 was modified accordingly. Since the opening position of biological assets affects the determination of operations, we were unable to determine if any adjustments to the Net Result for the year ended 30 June 2021 and the Operating Surplus ratio (as reported in Note 32) may be necessary. The opinion on the current year financial report is also modified because of the possible effect of this on the comparability of the current period's figures and the corresponding figures.	6/09/2022	433
Shire of Broomehill-Tambellup	2/08/2022	398
Shire of Carnarvon	11/10/2022	468
Shire of Derby-West Kimberley	10/10/2022	467
Shire of Merredin	9/08/2022	405
Shire of Moora	17/08/2022	413
Shire of Murchison	2/08/2022	398
Shire of Ravensthorpe	28/07/2022	394
Shire of Woondanilling	6/07/2022	372

Appendix 10: Local government certifications

At 30 November 2022, the following certifications were issued for the year ended 30 June 2021. Certifications for the 30 June 2022 financial year will be reported in a separate report on local government audit results.

Local government entity certifications completed since 17 August 2022	Date
City of Fremantle – Local Roads and Community Infrastructure Program	19/07/2022
City of Nedlands – Local Roads and Community Infrastructure Program	29/07/2022
Shire of Boyup Brook – Local Roads and Community Infrastructure Program	13/07/2022
Shire of East Pilbara – Local Roads and Community Infrastructure Program	12/07/2022
Shire of Merredin – Roads to Recovery	28/06/2022
Shire of Sandstone - Local Roads and Community Infrastructure Program	15/08/2022
Shire of Wiluna –	
Local Roads and Community Infrastructure	31/10/2022
Roads to Recovery	31/10/2022

Auditor General's 2022-23 reports

Number	Title	Date tabled
11	Compliance with Mining Environmental Conditions	21 December 2022
10	Regulation of Commercial Fishing	7 December 2022
9	Management of Long Stay Patients in Public Hospitals	16 November 2022
8	Forensic Audit Results 2022	16 November 2022
7	Opinion on Ministerial Notification – Tom Price Hospital Redevelopment and Meekatharra Health Centre Business Cases	2 November 2022
6	Compliance Frameworks for Anti-Money Laundering and Counter-Terrorism Financing Obligations	19 October 2022
5	Financial Audit Results – Local Government 2020-21	17 August 2022
4	Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
3	Public Trustee's Administration of Trusts and Deceased Estates	10 August 2022
2	Financial Audit Results – Universities and TAFEs 2021	21 July 2022
1	Opinion on Ministerial Notification – Wooroloo Bushfire Inquiry	18 July 2022

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Report 13: 2022-23 | 22 December 2022

PERFORMANCE AUDIT

Funding of Volunteer Emergency and Fire Services



Office of the Auditor General Western Australia

Audit team:

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

Image credit: Four Oaks/shutterstock.com

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Funding of Volunteer Emergency and Fire Services

Report 13: 2022-23 22 December 2022



THE PRESIDENT LEGISLATIVE COUNCIL

THE SPEAKER LEGISLATIVE ASSEMBLY

FUNDING OF VOLUNTEER EMERGENCY AND FIRE SERVICES

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

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

The objective of this narrow-scope audit was to assess if the Department of Fire and Emergency Services and local government entities effectively administer funding for their land-based volunteer emergency and fire services.

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

CAROLINE SPENCER AUDITOR GENERAL

22 December 2022

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Auditor General's overview

Volunteers are an essential part of the State's emergency and fire response capability. They freely offer their time and experience to respond to a range of incidents including bush fires, natural disasters, and search and rescues in both metropolitan and regional Western Australia (WA). Volunteers work alongside career firefighters, but can also be the only responders at an event. It is vital volunteer services are adequately supported and funded to help reduce the impact of events on the broader community.



Regional communities rely heavily on over 20,000 Bush Fire Service (BFS) and State Emergency Service (SES) volunteers who represent nearly 1% of the State's population. They are supported by the Department of Fire and Emergency Services (DFES) and local government (LG) entities as part of DFES' approach to providing an agile and collaborative State-wide response to incidents, regardless of location.

This report outlines how WA's four land-based volunteer services are funded and should be considered within the broader context of the State's overall emergency and fire response capability. DFES provides funds to equip volunteer services with essential items including protective clothing, communications and first aid equipment, and strategically placed facilities and specialist vehicles. It does this through a combination of direct funding and grants. Since 2003, the BFS brigades and SES units have been partly funded through DFES' Local Government Grants Scheme (Grants Scheme) and LG entities.

Additionally, DFES continues to strengthen the State's broader response and support for regional volunteer services. For example, waterbombing aircraft have been strategically based in high risk grain-growing regions to directly assist volunteer and career firefighters during WA's record-breaking grain harvest. DFES recognises the vital contribution of volunteers to its broad risk to capability response and support network across the State.

Reassuringly for LG entities, DFES' Grants Scheme provides predictable and recurrent funding based on prior expenditure to support their local SES brigades and BFS units. However, an opportunity for improvement exists for DFES to periodically review funding to ensure it remains linked to current and emerging risks to the community.

Pleasingly, the three LG entities we audited and volunteer association representatives we interviewed believed DFES and LG entities together provide enough funding for the volunteer services to continue to respond to emergencies and fires, as they have done for decades. However, more comprehensive strategic planning by LG entities is recommended to determine future facility requirements and the capital to fund them.

As our climate changes, WA is likely to face more frequent and intense bush fires, storms and floods similar to recent widespread flooding and bush fires on the east coast of Australia and the 2021 Cyclone Seroja in our north. These events significantly increase the demands on both career and volunteer emergency and fire services personnel and it is my hope that the findings in this report will further assist DFES to work with LG entities to address these increasing risks.

Executive summary

Introduction

This audit assessed if the Department of Fire and Emergency Services (DFES) and three local government (LG) entities effectively administer funding for their land-based volunteer emergency and fire services (volunteer services).

We focused on DFES and LG entities' funding processes and administrative support to volunteer services, and sought feedback from community and government stakeholders involved in supporting them. We did not compare the level of DFES funding provided to each of the four volunteer services as each service has different responsibilities with significant variations in how DFES and LG entities record the costs associated with each service.

Background

Responding to thousands of fires and emergencies that occur each year throughout the State is challenging and complex work that requires specialist vehicles, equipment, training and personnel. In Western Australia (WA), emergency response is coordinated across multiple State and LG entities and volunteer groups.

In addition to DFES' Career Fire and Rescue Service, who provide firefighting, fire prevention, safety and rescue services, volunteers are an essential part of the State's response capability freely giving their time and experience to respond to a range of incidents. There are four land-based volunteer services¹ (see Supporting data 1 with locations at page 28):

- Volunteer Fire and Rescue Service (VFRS) established and managed by DFES to undertake functions similar to the Career Fire and Rescue Service
- Volunteer Fire and Emergency Service (VFES) units approved by the Fire and Emergency Services Commissioner (Commissioner) and managed by DFES
- State Emergency Service (SES) units authorised by the Commissioner to help the community cope with the impacts of natural disasters and emergencies. DFES and LG entities share management responsibility for the SES
- Bush Fire Service (BFS) brigades established and managed by LG entities to protect their communities from bush fires. The BFS is the largest group of volunteers with 563 brigades at June 2022, although the numbers do vary.

Each service has different responsibilities and resourcing, though considerable overlap in capabilities and response provides flexibility to meet community needs throughout the State, regardless of the location of incidents (Figure 1). For example, for bush fires, while the Commissioner is the recognised Hazard Management Agency for the State as a whole, control of the initial response to a fire usually depends on where the fire starts:

- Volunteer and career services run by DFES typically coordinate the response to fires in gazetted fire districts, which include population centres and critical infrastructure, covering 88.5% of the State's population and 0.1% of its area.
- LG entities, through their BFS brigades, typically coordinate initial response to bush fires in their LG areas that are outside gazetted fire districts and lands owned or in the

¹ The Career Fire and Rescue Service and Volunteer Marine Rescue Service were not included in this audit, which focused on land-based volunteer emergency and fire services.

care of other entities. This is the largest responsibility by area, covering 91.8% of the State and 11.5% of its population.

The Department of Biodiversity, Conservation and Attractions (DBCA) responds to bush fires in or near DBCA's managed lands.² These lands can occur within or adjacent to populated areas, but are generally largely unpopulated.

The complex nature of incident response means the coordination role moves between entities when required. It can also involve cross entity support to manage logistics and assistance from specialist services, such as the aerial firefighting fleet (see Supporting data 2 for entities responsible for initial fire response by LG area at page 34).

		FIRE & RESOUT	THE & EMERGENCY OF THE PROPERTY OF THE PROPERT	WE SERVE	W.A.
Volunte	er services	VFRS	VFES	SES	BFS
	Administered by	DFES	DFES	DFES/LG	LG
	Funded by	DFES	DFES	DFES/LG	DFES/LG
	Brigades/units	94	37	64	563
	Volunteers	2,468	930	1,985	19,579
0	Bush fire/other fire	~	*	_	~
	Structural fire	~	*	_	~ #
	Hazardous material response (HAZMAT)	~	v *	-	-
P	Road crash rescue	~	v *	*	-
	Natural hazards (storms, earthquakes)	_	v *	~	-
66	Search and rescue	_	v *	~	-
	Assistance operations	-	v *	~	_

Source: OAG based on DFES information

Approved

Approved for certain units

Conditionally approved

Note: volunteers registered across multiple services will be counted multiple times. *BFS only authorised to undertake defensive firefighting to stabilise or isolate incidents.

Figure 1: Four volunteer emergency and fire services at June 2022

² Managed lands can include area of land under the Conservation and Land Management Act 1984 and the Swan and Canning Rivers Management Act 2006.

Neither DFES nor the Commissioner have control over the number or location of BFS brigades, which operate with more independence than the other volunteer services. Responsibility for their creation and management is distributed across WA's 137³ LG entities.

Various legislation outlines DFES and LG entities' responsibilities to operate the volunteer services, including the *Fire and Emergency Services Act 1998*, *Bush Fires Act 1954*, *Fire Brigades Act 1942*, *Emergency Management Act 2005* and the Emergency Management Regulations 2006.

DFES must fund emergency and fire services and LG entities must provide DFES with an annual estimate of their expenditure on these services.⁴ The volunteer services are funded by DFES from money it receives from the Emergency Services Levy (ESL)⁵ and funding appropriation from Parliament.

The VFRS and VFES are directly funded by DFES. Over the three years to 2020-21, these services received a combined average of \$16.7 million a year.

The BFS and SES are jointly funded by DFES and LG entities. DFES provides recurrent funding primarily through its Local Government Grants Scheme (Grants Scheme). This does not cover bush fire mitigation activities funded through the Mitigation Activity Fund.

Conclusion

DFES and LG entities fund the State's four land-based volunteer emergency and fire services to support response capability across the State. DFES contributed a total of \$55 million to these four volunteer services in 2020-21 in addition to funding and support provided within the broader context of DFES' agile and collaborative approach to State-wide response capability.

DFES wholly funds the VFRS and VFES using clearly defined funding objectives and expected outcomes. DFES partly funds BFS brigades and SES units through the Grants Scheme, but administration of funding by DFES and LG entities could be improved.

Grants Scheme funding has doubled since the scheme began in 2003-04 and, reassuringly, provides predictable and recurrent funding to LG entities for their local volunteer services. However, DFES has not fully documented its Grants Scheme funding decisions and procedures for allocations for the BFS brigades and SES units. DFES also lacks some critical information from LG entities that it needs to more clearly link funding allocations to current and emerging risks to the community. This reflects a 2017 recommendation by the Economic Regulation Authority, outstanding at the time of the audit, to apply robust analytical techniques for allocating funding.

The three LG entities we audited had neither a full understanding of their own costs to support the volunteer services nor fit for purpose strategic asset plans on which to base their Grants Scheme requests. As a result, DFES may not have sufficient information from LG entities to comprehensively assess their Grants Scheme funding requests.

³ Excludes the two Indian Ocean Territories and nine regional councils.

⁴ Fire and Emergency Services Act 1998 sections 36A(1) requires LG entities to provide an estimate of their expenditure to DFES and 36A(5) requires the Commissioner to pay for LG entity expenditure on fire and emergency services following the estimate and the Minister's approval.

⁵ The ESL is an annual charge on WA property owners that is collected through property rates notices issued by LG entities.

Key findings

How the volunteer services are funded

- The ESL accounts for more than 80% of DFES' annual revenue. It has contributed more than \$4.2 billion to the State's emergency services since its introduction in 2003. In 2020-21, DFES provided \$55 million to the four volunteer services.
- DFES directly funds the 131 VFRS and VFES. In 2020-21, DFES provided and administered \$15 million for their capital and operating costs.
- Most LG entities rely on DFES' Grants Scheme to fund their local BFS brigades and SES units. The Grants Scheme has provided more than \$409 million to LG entities for this purpose since it commenced in 2003-04.
 - In 2020-21, 121 LG entities received a total of \$32 million in Grants Scheme allocations made up of recurrent operating grants and capital grants, which provide items such as vehicles and facilities.
 - Capital grants mostly fund vehicle replacement programs. In 2020-21, over \$20 million of the \$21 million available to fund capital items went to the Statewide vehicle replacement program. Capital grant applications have exceeded available funds in 18 of the last 19 years.
 - Recurrent operating grants are based on prior expenditure. DFES provided \$12 million in operating grants to LG entities in 2020-21.

DFES' administration of its Grants Scheme to the BFS and SES could be improved

- DFES offers predictable recurrent grant funding based on previous expenditure, but funding decisions and procedures could be better documented.
 - The Grants Scheme Manual outlines the basic funding process and, once in the scheme, LG entities receive recurrent annual funding. However, the Grants Scheme Manual does not fully detail the methods DFES uses to allocate funds.
 - Eligible items and expenditure categories are listed in the Grants Scheme Manual, but there is no clear process to have new items added to the list.
- Capital grants could better consider the strategic asset needs of LG entities. The LG entities we audited had not included volunteer facilities in their strategic asset plans. Without this key information DFES cannot be fully effective in planning and funding the maintenance and replacement of volunteer facilities across the State.
- Funding could be more clearly linked to an assessment of risk to ensure volunteer services are funded to capably respond to incidents. A review by the Economic Regulation Authority in 2017 also recommended DFES use analytical techniques to inform its funding allocation decisions.
 - DFES lacks some of the critical information it requires from LG entities to apply a systematic risk based approach to inform its Grants Scheme funding offers. This means there is a risk that better organised and engaged LG entities and their volunteer services may receive more funds than those with greater need.

LG entities lack some processes and support to effectively administer Grants Scheme funding

- The three LG entities we reviewed had limited understanding of the cost and strategic
 asset priorities of their volunteer services to inform funding needs. They did not each
 have clearly documented processes to track the spending of their Grants Scheme
 funding and did not routinely track their own costs to administer the volunteer services.
- Some LG entities can struggle to adequately support their volunteer services to manage key responsibilities. For example, volunteer membership records are not kept up to date and incident response reports are not always completed. DFES partly funds Community Emergency Services Managers to assist LG entities, with the program supporting 34 positions across 56 LG entities in 2020-21.

Recommendations

The Department of Fire and Emergency Services should:

- 1. improve its administration of Grants Scheme funding to volunteer services to better inform decision making by:
 - more completely documenting funding decisions and procedures
 - b. defining and communicating the process to update eligible items within the Grants Scheme Manual
 - using available volunteer, cost and incident data to periodically review funding C. allocations to ensure they are clearly linked to the mitigation of key risks to the community
 - clearly defining and communicating Grants Scheme objectives and outcomes to d. LG entities

Implementation timeframe: 31 December 2023

Entity response: Agreed

2. work with the local government sector to adopt a State-wide strategic approach to Grants Scheme funding based on a more comprehensive understanding of LG entities' longer term operating and capital costs.

Implementation timeframe: 31 December 2023

Entity response: Agreed

The City of Busselton, Shire of Plantagenet and Shire of Westonia, and other LG entities as relevant, should:

- 3. improve their administration of funding to volunteer services to better inform decision making and support volunteer services by:
 - including facilities and resources of their volunteer services in their strategic asset plans
 - documenting internal funding processes to ensure that they have a clear b. understanding of all material costs associated with supporting volunteer services
 - maintaining up to date volunteer membership data and complete incident response forms.

Implementation timeframe: 31 December 2023

City of Busselton response: Agreed

Shire of Plantagenet response: Agreed

Shire of Westonia response: Disagreed - additional detail provided in response

Response the Department of Fire and Emergency Services

The Department of Fire and Emergency Services (the Department) welcomes the Auditor General's report into how effectively the Department and local government entities administer funding for volunteer fire and emergency services.

The Department provides state-wide emergency response capability through a network of career firefighters, emergency service volunteers and support personnel. The focus of this audit was on funding allocations to land-based emergency volunteer services only.

Land-based volunteer services are a significant and important element to the Department's first response capability; however it is important to highlight that this report does not take into account the indirect multi-million-dollar funding model that is provided by the Department to the land-based volunteer services.

Volunteer land-based emergency services are supported before, during and after emergencies through the provision of facilities, equipment, resources, protective clothing, uniforms, vehicles, fleet maintenance and extensive training and professional development opportunities.

The Department provides the additional support through a network of career firefighters, an aerial bushfire suppression fleet and aviation services, bushfire mitigation and risk management planning, state communications centre, state and regional operations centres, mental health and wellbeing training and support services, a volunteer fuel card scheme – just to name a few.

The recommendation resulting from this audit is in relation to one of the funding mechanisms that supports local government volunteer services through the Local Government Grant Scheme. This recommendation will be taken on board to better inform decision making and the Department will endeavour to offer assistance to local government entities to inform a more strategic approach to requests for funding received from local governments.

The Department would like to thank its staff who have provided support and assistance to this audit. The timeframe of the audit has far exceeded what was initially planned by the OAG and was conducted concurrently with the high threat bushfire and cyclone season.

The Department would also like to thank emergency services personnel across the State for the services they provide and their commitment to keeping our State safe, particularly in times of emergency.

Response from the City of Busselton

The City of Busselton appreciated the opportunity to participate in the audit and provide overall feedback on the OAG report – Funding for Volunteer Emergency and Fire Services. The City has considered the contents of the report and agrees that the findings are reflective of the current contextual environment.

The City is actively making changes to continually progress and evolve management of our volunteer emergency services and believe there are key changes required from the state to support improvements and create consistency in operating standards at a LG level. These are:

- Definition by DFES of the minimum baseline operational standard and servicing requirements that LG BFS and SES units should be managed at. Funding and resourcing should be allocated equitably across brigades, regardless of the entity responsible for management;
- Improved transparency to the decision-making criteria that determines how capital funding requests are measured for identified improvements of upgrades to facilities;
- Review of the current administrative funding model and introduction of a systematic connection that considers the individual circumstances of each local government area that influence emergency services including;
 - operating environment that includes scale of land managed by an LGA and the associated levels of risks of that land;
 - the volume of, varying size and scale of BFB and SES units managed;
 - the scale of assets, membership and annual volume of incidents attended by each unit.
- Development of regional and state-wide strategic asset management planning for current and future brigade locations, to inform the maintenance/replacement or planning for new facilities at a LG level. As LGs rely on ESL funding dispersed through DFES to support these facilities, ensure that the strategic direction and focus at a LG level is aligned with the higher-level strategic planning for these services across the state. This is essential in making sure that future servicing needs and gaps are planned for at a regional level.

Response from the Shire of Plantagenet

Thank you for the opportunity to provide comments on the Performance Audit of Funding of Volunteer Emergency and Fire Services.

The Shire agrees that there are some improvements that could be made to these arrangements. We are currently developing a more robust and comprehensive buildings asset management plan and feel that this will assist with long term planning of bush fire brigade and SES facilities.

In respect to documenting internal funding processes, we have made some finance system (Synergysoft) improvements to help staff match spending to the respective DFES categories. The CESM also uses a detailed spreadsheet separate to Synergysoft where he tracks the spending. Admittedly, the costs to administer volunteer services are not currently separated from other general emergency services costs.

In regard to supporting volunteer services to maintain up to date membership data, all members are recorded through DFES and a monthly report is received from DFES. This works well and we wouldn't want to duplicate it.

In regard to supporting volunteers to complete incident response forms, the DFES incident response forms need to be completed online. This is quite cumbersome and volunteers need training on the Incident Reporting System. This could be done better, as could the follow up on form completion.

In regard to the comment that DFES's Grants Scheme does not fully consider future demand for capital items, we strongly agree with that. When an application for a new facility at Rocky Gully, the Shire was told that because the brigade only has one appliance then we can only ask for a one bay facility (but they also have a fast fill trailer funded by

the LGGS). Where Rocky Gully is and how it is expected to expand, it would make sense to build a two bay facility now at the time of construction.

While we agree that there are some direct and indirect costs that are not being directly accounted for against Bush Fire Brigade and SES activities, the application of LGGS costs are fully documented in the LGGS Manual.

Response from the Shire of Westonia

The Shire of Westonia believe that whilst there is an absence of actual documented Policy and Procedures for staff responsible for the administration of the Bush Fire Brigade volunteer registers, the Council maintain that the registers are reviewed annually and contain relevant and up to date information for the organisation.

Council add that they have completed an Asset Management Plan since the Audit conducted by the OAG and have included the facilities and physical resources for the Bush Fire Brigade as part of the Plan.

Furthermore the Shire of Westonia feel that they adequately administer their Bush Fire Brigades responsibilities within the constraints of resources available to them.

Audit focus and scope

The objective of this narrow-scope audit was to assess if the Department of Fire and Emergency Services (DFES) and local government (LG) entities effectively administer funding for their volunteer emergency and fire services. It was narrowly scoped to primarily focus on one of the State's funding mechanisms for land-based volunteer emergency and fire services.

We based our audit on the following criteria:

- Are funding objectives and processes clear?
- Are funding decisions documented and defensible?

We audited DFES and three regional LG entities. We interviewed a further seven LG entities (two metropolitan and five regional) and representatives from each of the four land-based emergency and fire volunteer associations. We also consulted with the Western Australian Local Government Association and Department of Local Government, Sport and Cultural Industries.

In undertaking the audit, we:

- reviewed relevant legislation, policies and procedures and interviewed staff
- conducted site visits to the City of Busselton, Shire of Plantagenet and Shire of Westonia
- analysed funding applications, documented decision-making processes and relevant financial records at DFES and LG entities for a three-year period from 2018-19 to 2020-21, and historic Grants Scheme funding from 2003-04 to 2020-21.

This was an independent performance audit, conducted under Section 18 of the Auditor General Act 2006, in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$535,000.

Audit findings

How the volunteer services are funded

Emergency Services Levy

The main source of funds for all emergency services in WA is the property-based ESL. Property owners fund the ESL through their rates payments. The State's metropolitan ratepayers contribute around 90% of the ESL. The ESL funds career and volunteer services throughout WA, along with a variety of other emergency and fire expenses such as asset construction and maintenance, communications, training, community awareness, aerial firefighting and emergency response coordination (Appendix 1).

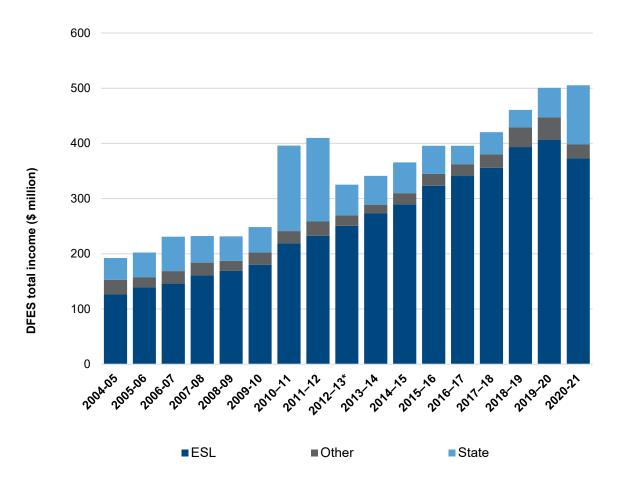
The ESL was introduced on 1 July 2003 following amendments to the *Fire and Emergency Services Act 1998*, replacing all existing funding arrangements for State and LG emergency response services. The ESL was intended to fund all operating costs and capital expenditure of fire and rescue services, emergency management services and their administration, in a more uniform and equitable manner. It did not alter LG entities' statutory obligations to fund and manage a range of fire-related safety and control activities under the *Bush Fires Act 1954* and the *Local Government Act 1995*.

Funds from the ESL are paid into DFES' operating account in line with the *Fire and Emergency Services Act 1998*. The ESL may fund any purposes outlined within the emergency services Acts, which covers funds to volunteer services and also includes the purchase, construction, renewal, maintenance or replacement of land, buildings, vehicles and equipment of DFES, and any other property approved by the Minister.⁶ Unspent ESL funds cannot be returned to the State's consolidated revenue and must remain in DFES' operating account.⁷ Some activities, such as management of unexploded ordnance and surf lifesaving, cannot be funded by the ESL. Instead, DFES funds these through other revenue, such as service fees, Commonwealth grants and State government funding.

In recent years, the ESL has funded an average of 82% of DFES' operating costs that align with emergency services legislation, compared to an average of 68% when it was introduced. It has contributed more than \$4.2 billion to the operations of the State's emergency services since its first full year of operation in 2004-05 (Figure 2).

⁶ Fire and Emergency Services Act 1998 section 38(2). DFES' operating account is established under the Financial Management Act 2006 section 16(1)(a) and does not limit the use of the funds to a specific purpose.

⁷ Fire and Emergency Services Act 1998 section 38(3); ESL funds are not subject to the Financial Management Act 2006 Section 20(1).



Source: OAG based on DFES information from its annual reports

Figure 2: DFES income⁸

In 2020-21, DFES received \$373 million from the ESL. The four volunteer services we reviewed are predominantly funded by DFES, or a combination of DFES' Grants Scheme and LG entity funding. DFES provided \$55 million from the ESL, which included:

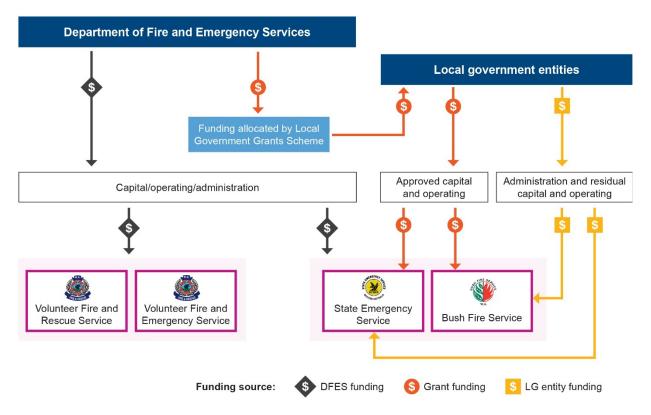
- \$15 million directly to the VFRS and VFES
- \$9 million to the SES, of which \$7.1 million went through the Grants Scheme
- \$31 million to the BFS, of which \$27.9 million went through the Grants Scheme

LG entities fund BFS and SES administration and other costs not funded by DFES (Figure 3).

^{*}The former Fire and Emergency Services Authority became DFES in 2012.

⁸ The ESL was introduced in 2003-04, however as the existing systems were phased out during that year the amount collected was not representative of subsequent years.

⁹ Volunteer services can also fundraise and apply for community grants, however these were not assessed in this audit.



Source: OAG based on DFES information

Figure 3: Funding of the four volunteer emergency and fire services

DFES provides all career and volunteer services with vehicles through its State-wide vehicle replacement program. Vehicles are replaced in line with their operational life of 10 to 20 years. DFES consults with its district and area officers to determine vehicle needs of the VFRS and VFES. BFS brigades and SES units negotiate with the LG entity and inform DFES via their capital grant applications if their needs change. The 2020-21 program budget aimed to provide the volunteer services with replacement vehicles worth \$27 million. This included \$20 million through the Grants Scheme for BFS and SES vehicles.

DFES refurbishes and retains a number of the replaced vehicles for use as a part of the high fire season fleet, which it can deploy across WA. These vehicles provide LG entities' volunteer services with additional capacity in times of high demand.

DFES also supports a program that partly funds the salaries of Community Emergency Services Managers (CESM) within some LG entities. CESMs provide a link between LG entities, DFES, BFS brigades and SES units, helping LG entities plan, administer, coordinate and support their volunteer services. The program commenced in 2003 and provides around \$2.4 million annually.

DFES directly funds the VFRS and VFES

DFES directly funds a range of capital and operating costs of the VFRS and VFES.¹⁰ Capital costs generally relate to the construction, restoration and renovation of facilities, and the purchase and replacement of vehicle fleets. Operating costs include telecommunications, facilities maintenance, and water and sewage charges.

¹⁰ DFES also directly funds some SES unit operating costs.

DFES tracks most of these costs to the VFRS or VFES unit that incurred them. However, a range of VFRS and VFES unit costs, such as insurance, vehicle maintenance and administration are only recorded as DFES operating costs.

This funding allows the 131 VFRS and VFES units to respond to fires, emergencies and natural disasters across the State (Supporting data 1). DFES determines annual operating budgets for each VFRS and VFES unit, and monitors and updates them throughout the year.

In 2020-21, DFES' funding to the VFRS and VFES was \$15 million. This included:

- operating funds of \$1.9 million
- capital funds of \$3.3 million for the VFRS and \$4.0 million for the VFES, primarily for vehicle replacement
- \$3.1 million for upgrades and replacement work on VFRS and VFES facilities
- \$2.3 million for land acquisition for VFRS and VFES future developments.

At the time of our audit, the fleets included around 280 fire trucks and over 50 support and rescue trailers.

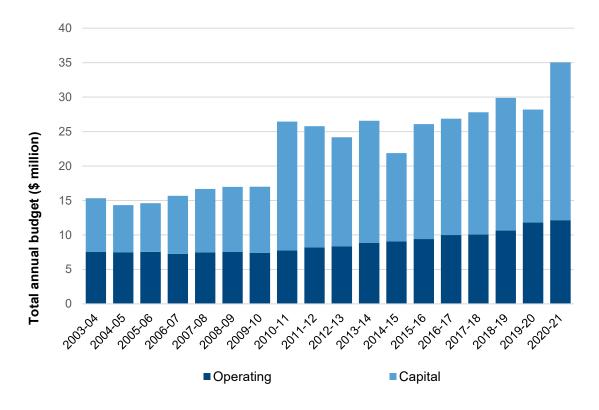
In addition, DFES gives eligible 11 VFRS and VFES units an annual efficiency payment as an incentive to maintain operational readiness, after all outstanding checks are complete and incident reports have been verified. VFRS units are also entitled to subsidy payments, which can assist members with personal expenses directly related to providing volunteer services, such as the renewal of some heavy vehicle drivers licences and the cost of phone calls. DFES awards about \$700,000 of these supplementary payments annually. 12 In 2020-21, each eligible VFRS and VFES unit received about \$6,700 and \$3,000 respectively to spend as they saw fit. DFES understands most units use the funds for social gatherings.

Most LG entities rely on the Grants Scheme to help fund their local BFS brigades and SES units

The Grants Scheme started in 2003-04 to fund costs associated with the emergency and fire response activities of the BFS and SES. It covers approved expenditure categories and a list of eligible items. Remaining costs are covered by LG entities. The Grants Scheme is not intended to cover mitigation or recovery costs. Over 18 years to 2020-21, the Grants Scheme allocated funds and resources valued at \$409 million to LG entities, with the annual amount gradually increasing over time (Figure 4).

¹¹ Only operational units are entitled to payments. Specialist support units, such as the VFES Education and Heritage unit and the Virtual Operations Support team are not eligible. Units not funded directly by the ESL, such as VFES units based in the Indian Ocean Territories and the Forest Products Commission VFES unit are also ineligible.

¹² SES units also receive annual operational efficiency payments if they achieve targets set by DFES.



Source: OAG based on DFES information

Figure 4: Total Grants Scheme budget from 2003-04 to 2020-21

In 2020-21, 121 of the State's 137¹³ LG entities received allocations from the Grants Scheme worth \$35 million. Of the 16 LG entities that did not receive grant funding:

- eight (five metropolitan and three regional) had at least one DFES operated service based in their area (Career Fire and Rescue Service, VFES, VFRS)
- eight (seven metropolitan and one regional) had no volunteer service.

DFES' Manual for Capital and Operating Grants (Grants Scheme Manual) outlines what can be funded from the scheme. Operating grants fund general operating costs and minor purchases. For example, vehicle and facilities maintenance and insurance, volunteer training, personal protective clothing, police checks and the renewal of some heavy vehicle drivers' licences. ¹⁴ Capital grants fund significant capital items including vehicle and major equipment purchases, and facilities construction, restoration and renovation.

The amount of capital funding available each year is the balance left in the Grants Scheme after deducting operating grants. In 2020-21, this was \$21 million after \$12 million went to operating grants. LG entities and SES units do not receive payments for capital items, such as vehicles, flood boats or their volunteer facilities. Instead, DFES supplies them with the item (vehicles for example) or provides funds to LG entities directly to cover their invoices. LG entities must fund their own administration costs (for example, staff to support the

¹³ Excludes the two Indian Ocean Territories and nine regional councils. Two regional LG entities without an associated volunteer service received operating Grants Scheme funding.

¹⁴ DFES provides funding for some operating costs directly to SES units, such as personal injury insurance and personal protective clothing.

volunteer services) and some minor items (for example, cleaning and lawn mowing around facilities and ineligible items such as chainsaws for BFS brigades).

The Grants Scheme was reviewed by the Economic Regulation Authority in 2017 as part of a broader review of the ESL. The review recommended DFES 'apply robust analytical techniques for its funding allocation decisions'. More recently, in February 2022, DFES reviewed its Grants Scheme processes, including LG entities' funding acquittals. It identified limitations in the way it includes volunteer service facilities in capital asset programs, assesses acquittals and determines funding allocations. The review recommended including volunteer numbers, fleet sizes and incident responses when determining funding allocations and developing models to forecast maintenance and update of capital assets.

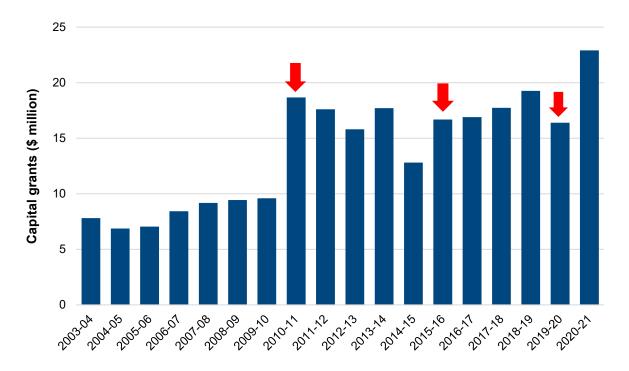
Capital Grants mostly fund vehicle replacement programs

In 2020-21, DFES received capital grant applications for almost \$32 million to fund new capital items and facility upgrades against available funds of \$21 million. Over \$20 million was allocated to DFES' State-wide vehicle fleet replacement program for the BFS and SES, and pre-approved programs, leaving around \$440,000 for the new requests.

Of the \$32 million in new requests, over \$20 million was for additional vehicles that were not covered by the vehicle replacement program or for new or replacement facilities. DFES informed us that LG entity requests for additional vehicles, facilities replacement, renovations or additions have exceeded available funding in 18 of the 19 years since the Grants Scheme commenced in 2003-04.

Since it started, the Grants Scheme has provided LG entities with \$251 million to cover capital costs (Figure 5). At the time of our audit the Grants Scheme supported 978 fleet and 418 facility assets across the BFS and SES. Notable changes in funding levels occurred due to State Government injections, for example:

- \$40 million in 2010-11 over four years to cover emerging risks
- \$5.3 million in 2015-16 for remote Indigenous communities, a vehicle fleet remediation program and particle masks
- \$2.4 million in 2020-21 for the State-wide supply of defibrillators, light fuel tanker refurbishment and training.



Source: OAG based on DFES information

Note: red arrows show significant funding changes.

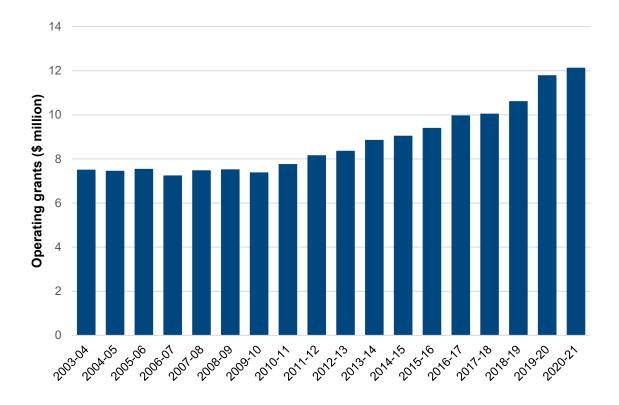
Figure 5: Capital grants from 2003-04 to 2020-21

The capital grants are awarded following a merit-based application process. Each year LG entities must submit applications with a supporting business case. Applications are assessed by two grants committees (one for the BFS and another for the SES), in line with the Grants Scheme Manual and a set of guiding principles. The committees consist of three DFES staff, two LG representatives and one volunteer association representative. The Chairperson is appointed by the Commissioner.

Recurrent operating grants are based on a formula using prior expenditure on the BFS and SES

Since the Grants Scheme started, DFES has offered LG entities a grant equal to the average of their current grant and actual expenditure in the preceding two years, plus some indexation. Typically, once an LG entity receives Grants Scheme funding it automatically receives funding in subsequent years. LG entities can accept DFES' offer or request a different grant amount. Requests that exceed the offer by 10% or less are automatically approved. DFES negotiates those that exceed the offer by 10% or more.

In 2020-21, LG entities requested an additional \$1.3 million in operating grants and DFES approved \$450,000. We reviewed all the 2020-21 applications and found that DFES consistently used the above approach. DFES has provided \$158 million towards BFS and SES operating costs since 2003-04 (Figure 6).

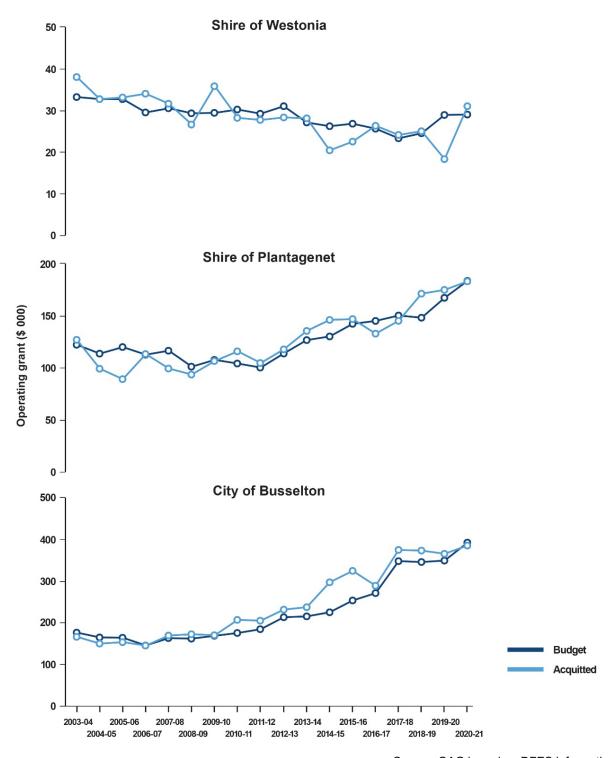


Source: OAG based on DFES information

Figure 6: Operating grants from 2003-04 to 2020-21

At the end of each financial year DFES requires LG entities to acquit their operating grants against nine clearly defined spending categories and a list of eligible items that include maintenance, insurance and training. DFES received the required acquittals for the three audited LG entities.

Annual grant funding to LG entities may reduce when they consistently do not spend what they receive. For example, a significant underspend by the Shire of Westonia in 2019-20 could affect its grant funding offer for the next two years (Figure 7). Conversely, annual grant funding may increase when LG entities consistently spend more than they receive. For example, spending and hence funding, for the Shire of Plantagenet has gradually increased since 2012-13 and for the City of Busselton it has doubled in the last 18 years (Figure 7). This is consistent with DFES' calculation method.



Source: OAG based on DFES information

Figure 7: Operating grants to audited LG entities from 2003-04 to 2020-21

DFES' administration of its Grants Scheme to the BFS and SES could be improved

DFES offers predictable recurrent grant funding based on previous expenditure but funding decisions could be better documented

DFES' Grants Scheme and accompanying guidance material provides a reliable source of funding to LG entities and their local volunteer services. DFES makes an annual grant offer to LG entities based on their current grant and the previous two years expenditure plus some indexation. The Grants Scheme Manual outlines the basic funding process and, once in the scheme, LG entities receive recurrent annual funding. These annual allocations provide assurance to the volunteer services and their communities that funding is not at risk.

However, the Grants Scheme Manual does not fully detail the methods DFES uses to allocate funds. For example:

- there is no documented procedure or list of criteria to guide how it negotiates operating grants with LG entities
- the Grants Scheme Manual does not guide DFES staff on how to apply funding under or over spends when calculating a LG entity's annual offer. We saw examples of DFES using portions of under and over spends in offer calculations without an explanation of why the full amount had not been used or how the portion had been determined.

In the absence of documented guidance for annual offer calculations, DFES risks making inconsistent and inequitable funding offers.

DFES updates the eligible items list annually, but does not have a clear process for LG entities or volunteer groups to add new items to the list. DFES approves requests from BFS brigades and SES units for new or specialist pieces of equipment not on the eligible items list on a case-by-case basis (see Case study 1). Currently, LG entity funding requests for items not on the eligible list are assessed with:

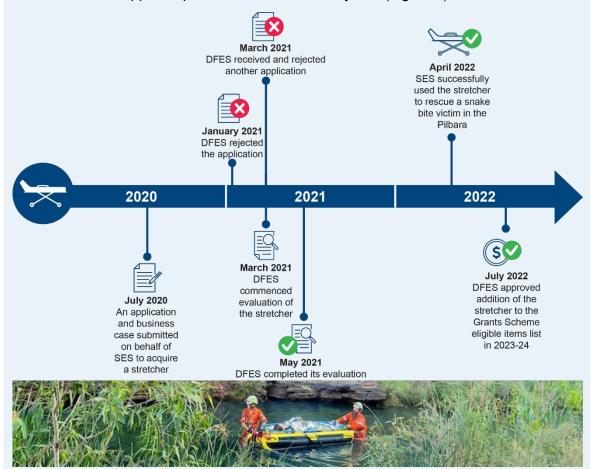
- input from a range of staff across operations, health and safety, research and development, and risk capability analysis
- consideration of BFS and SES requirements and equipment standards, standardisation across brigades and units and if the item is fit for purpose.

However, reasons for outcomes are not always well documented or well communicated to LG entities, and assessments are not required to be completed in set time frames.

During the audit, volunteer associations raised concerns with us that DFES' current approach slowed their ability to adopt new technologies and methods, and that the eligibility of items was unnecessarily restrictive and occasionally changed without consultation. A clearer time frame and criteria to assess equipment is important to ensure volunteer services can adopt new technologies and resources in line with better practice.

Case study 1: Process to approve new equipment took almost two years

On behalf of an SES unit, two requests were made (initially directly to DFES and then via a Grants Scheme application) to approve the use of an all-terrain inflatable stretcher to transport casualties where boats could not access the rescue location or were unavailable. The approval process took almost two years (Figure 8).



Source: photo DFES, timeline OAG based on DFES information

Figure 8: Timeline showing the request and approval process for use of an all-terrain inflatable stretcher. Photo shows the stretcher used in a gorge rescue in 2022

Most of the volunteer associations representing the four volunteer services told us operating funding they received was generally adequate. DFES also advised us it has commenced an internal review of its Grants Scheme processes to identify improvements.

Capital grants could better consider the strategic asset needs of LG entities

DFES' strategic asset planning does not include up to date information on BFS brigade and SES unit facilities. DFES has a State-wide asset register for BFS and SES facilities that house vehicles funded by the Grants Scheme. However, the register lacks the detail DFES needs from LG entities to fully inform its capital component of the Grants Scheme.

The LG sector's asset management framework provides that LG entities include all major asset classes, such as roads, buildings and infrastructure in their strategic asset plans.¹⁵

¹⁵ Department of Local Government and Communities, <u>Integrated Planning and Reporting Asset Management Guidelines</u>, DLGC, Perth, 2016.

However, the three LG entities we audited had not included volunteer facilities, which can include sheds, emergency water tanks, concrete slabs, toilets and driveways. These facilities vary significantly in age, condition and size, which may have been fit for purpose at the time of construction but may no longer be adequate (see Case study 2).

DFES also had no oversight of the condition of the facilities used by BFS brigades and SES units. DFES is reliant on LG entities providing information on the condition of these facilities in their Grants Scheme funding requests. Without this key information from LG entities and coordinated planning for facilities, DFES cannot effectively plan and fund the maintenance and replacement of volunteer facilities across the State.

The WA Local Government Association recently proposed developing a Comprehensive Asset Management Plan to help forecast the emergency response requirements of communities across WA over the next 10 years.

Case study 2: BFS facilities vary greatly and some may no longer be fit for purpose

The age and condition of BFS brigade facilities vary from one brigade to another and some facilities may no longer be fit for purpose or meet the needs of an increasing diversity of volunteers. Without a current understanding of a facility's condition and purpose, DFES and LG entities cannot best plan for maintenance, upgrades and replacement. The Ambergate facility, constructed in 2018 provides its volunteers with a training and meeting area, a dedicated space for logistics support and wash down facilities (Figure 9).





Source: OAG

Figure 9: Ambergate station in the City of Busselton

In contrast, the Middle Ward facility, constructed in 2007, was designed to house vehicles only (Figure 10).





Source: OAG

Figure 10: Middle Ward station in the Shire of Plantagenet

DFES commenced additional routine monitoring of the condition of VFRS and VFES facilities in 2021. This work commissioned by DFES found that 42 of 126 VFRS and VFES facilities had exceeded their planned operational life. The audit classed 14 of the 42 as very poor or unserviceable. Well maintained facilities are essential to protect vehicles and other assets. and to support and enhance the morale of the volunteers that regularly use the facilities.

LG entities can plan to expand their volunteer facilities but may not receive funding to do so. For example, DFES declined a funding application from one LG entity to construct a larger facility to house an extra vehicle it had yet to purchase, as the facility was in excess of the determined fleet.

One LG entity we spoke with said they were unsure how DFES made their allocation decisions. Without clear, well informed strategic planning, funding may not be sufficient to maintain critical volunteer facilities to the level required.

Funding could be more clearly linked to an assessment of risk to ensure volunteer services are funded to capably respond to incidents

DFES does not routinely collect and use all critical information required to apply a systematic risk based approach to inform and review its Grants Scheme funding offers. For example, DFES does not have a systematic approach to validating and using information on:

- volunteer numbers, capability and turnover (though LG entities may not always maintain up to date volunteer data)
- regional conditions, which affect the type of resources required by volunteer services across the State
- risk assessments by LG entities and incident reports by BFS brigades and SES units to analyse the type and frequency of incidents, which can influence operating costs. The three audited entities had not completed DFES' three-yearly Resource to Risk process, which aims to review if risks to the community are adequately managed and resourced.

Regular review of this information will help support confidence that DFES' grant funding allows volunteer groups to capably respond to incidents.

DFES has not fully defined the objectives of the Grants Scheme or the outcomes the scheme seeks to achieve. The Grants Scheme Manual describes the scheme as funding the 'approved capital and operating costs associated with the provision and maintenance of an effective bush firefighting service' for LG entities. However, DFES has not described what makes up an effective bush firefighting service and the Grants Scheme funds a range of services that extend beyond bush firefighting. For example, the Grants Scheme funds natural hazard response, and search and rescue assistance provided by the SES (Figure 1). ¹⁶ With a lack of clarity about what the Grants Scheme intends to achieve, DFES cannot be sure LG entities are appropriately funded to provide an effective response to bush fires and other emergencies.

LG entities lack some processes and support to effectively administer Grants Scheme funding

LG entities had limited understanding of the cost of their volunteer services

The three LG entities we audited did not fully understand how much they spend on the operating costs for their volunteer services. They each provided annual Grants Scheme acquittals to DFES, which detailed a proportion, but not all of their spending. However, none of the LG entities had fully and clearly:

 defined and documented processes to budget for and acquit DFES Grants Scheme funding

¹⁶ Having a volunteer service is not a requirement for LG entities to request Grants Scheme funding.

- documented what to include in the budget for their volunteer services, relying on existing staff to include what they think is appropriate
- separately recorded all other BFS brigade and SES unit related costs, such as staffing costs to liaise with volunteers, costs to arrange vehicle and facilities maintenance and costed work done by volunteers themselves.

Without a clear understanding of the costs, LG entities might not appropriately plan, budget or fund their volunteer emergency services.

Some LG entities struggle to adequately support their volunteer services to manage key responsibilities

DFES partly funds the salaries of Community Emergency Service Managers (CESM) who provide important and valued support to LG entities in managing their volunteer services. However, many LG entities miss out as CESM funding through DFES is currently limited. Furthermore, some LG entities may not want a CESM or may not want to partly contribute to a CESM's salary. Across WA, in 2020-21:

- Eighty-two LG entities (60%) had no CESM. Thirty-four CESMs supported 55 (40%) LG entities and of these, 12 CESMs supported multiple LG entities.
- LG entities employed 27 CESMs in regional areas and DFES employed seven in the Perth and Peel area.

In the absence of a CESM, it might be challenging for some LG entities and volunteer groups to keep on top of their responsibilities including necessary administrative tasks and strategic planning.

LG entities do not routinely monitor the condition of their volunteer services assets and facilities. Two of the three LG entities we audited told us they did not always have time to visit volunteer facilities to understand things like current and future resourcing needs, despite receiving CESM support. We found:

- Busselton has one CESM who administers an SES unit and 15 BFS brigades with assistance from a full-time bush fire mitigation officer and a part-time administrative support position.
- Plantagenet has one CESM to assist an SES unit and 11 BFS brigades.
- Westonia is not supported by a CESM, relying on its staff who support their three local BFS brigades.

Together the three LG entities coordinate the maintenance of nearly 50 vehicles and the training and personal protective clothing needs for around 800 BFS and SES volunteers.

DFES directly funds 50 to 70% of CESM salaries to support administration of volunteer services, increasing the funding proportion for LG entities with a lower rate base. LG entities provide the balance. DFES also employs a part-time State CESM coordinator and two staff dedicated to Grants Scheme administration.

A 2021 WA Local Government Association survey found that around half of the State's LG entities had less than one full time equivalent employee to manage their emergency and fire management responsibilities. The survey also noted that an additional 24 LG entities provided feedback that they would like access to a CESM. One audited LG entity told us the administration of over 10 volunteer groups in their area 'is beyond the capacity of any single person'.

Lack of administrative support can affect data collection and reporting. In 2021-22, DFES received 94% of reports from incidents attended by SES units, but only 57% of reports from those attended by BFS brigades (Table 1). DFES requires incident reports to be completed. Two of the audited LG entities informed us they are aware that the BFS brigades have not completed all incident reports, but they do not have the resources to follow up with volunteer groups to ensure they are completed. DFES needs this information to inform risk assessments and make evidence-based funding decisions for volunteer services.

Volunteer service	Total incidents	Completed incident reports	% Completed
BFS brigades	5,567	3,172	57%
SES units	3,386	3,175	94%

Source: DFES

Table 1: Proportion of completed incident reports received by DFES from volunteer groups in 2021-22

Incident reports detail the type of response, actions taken, likely trigger for the fire or emergency, and the resources and personnel that attended. This information can also be critical for future insurance claims. Incident response forms can be lodged manually or electronically through DFES' Incident Report System.

Volunteer membership records are often inaccurate, which could impact funding decisions. The *Bush Fires Act 1954* requires LG entities maintain a register of their volunteers, but DFES told us this information is not always up to date. In 2021-22, the City of Busselton requested its volunteers confirm their status. As a result, their total number of registered volunteers halved, declining from around 600 to 300. Basic information, such as knowing who the active members are and if they have the correct personal protective clothing, is critical for DFES, LG entities and volunteer services to effectively plan and budget.

Appendix 1: DFES major services and activities funded by the ESL 2020-21

ea and	d activity	Funding (\$ million
6	Career Fire and Rescue Services	
O	Employed personnel in fire stations across Perth, Albany, Bunbury, Geraldton and Kalgoorlie who are response ready for a variety of emergency situations, 24/7.	12:
	Volunteer Fire and Rescue Fire and Emergency Services Committed volunteers in towns and built-up areas who provide an emergency response when most needed.	1
•	Bush Fire Service Dedicated volunteers who protect us from bushfires through fire suppression, prevention and risk management services and fire safety education in rural and pastoral areas.	3
A	State Emergency Service Steadfast volunteers in orange who provide help to the community in a variety of situations, such as severe weather and search and rescue operations.	
	Marine Rescue Western Australia Devoted volunteers along our coastline who protect and save lives at sea.	
	Rural Fire Division Improving rural fire management through increased investment in mitigation, strengthening relationships with volunteers, and greater collaboration between agencies.	1
2 <u> </u>	Emergency Services Training Providing professional development for volunteers and career personnel to enhance their operational and organisational skills.	2
5	Aerial Firefighting and Aviation Services Operation and coordination of the aerial fleet that is deployed rapidly to emergency incidents, protecting lives and property during the bushfire season.	1
	Asset Construction and Maintenance Includes construction of fire stations and other facilities as well as maintenance, improvement and replacement of facilities, response vehicles and equipment.	6
	Wolunteer Engagement Working with communities and local governments to strengthen relationships with our volunteers.	
į.	Emergency Management, Strategy and Planning Research and planning activities to improve our services and inform decisions on how we allocate our resources.	
Y	Health and Wellness Enhancing psychological and physical wellbeing for emergency services employees, volunteers and their families.	
Ξ	Investigation and Compliance Determining the cause of fires and ensuring compliance with relevant standards to reduce the frequency and impact of emergency incidents.	
(0)	Emergency Response Coordination Includes the running of emergency operations centres and the '000' communications centre to dispatch and coordinate emergency responses.	1
A))	Technology and Communications Improving and maintaining the technology and communications infrastructure behind all our emergency services.	2
3	Special Operations Upskilling personnel and maintaining specialist equipment to enhance our emergency response across a range of events such as hazardous material spills and building collapse.	
	Community Awareness and Education Providing information and programs to communities to increase awareness and build a more resilient and safer State.	1
	Total	37

Note: shaded rows indicate services included in this audit.

Source: DFES Annual Report 2020-21

Supporting data 1: Land-based emergency and fire services within LG areas

Emergency and fire response services are distributed across the State. Services are typically located to ensure suitable response times to incidents in and around their physical base of operations.

The following table shows the number of land-based emergency and fire services within an LG area¹⁷. Brigades and units move across LG areas to offer support as required.

	Career Fire & Rescue Service	Volunteer Fire & Rescue Service	Volunteer Fire & Emergency Service	Volunteer State Emergency Service	Volunteer Bush Fire Service
LG entity	(CFRS)	(VFRS)	(VFES)	(SES)	(BFS)
City of Albany	1	1	0	1	16
City of Armadale	1	2	0	1	2
Shire of Ashburton	0	0	1	1	1
Shire of Augusta Margaret River	0	5	0	1	10
Town of Bassendean	0	0	0	1	0
City of Bayswater	0	0	0	1	0
City of Belmont	1	0	1	3	0
Shire of Beverley	0	1	0	0	6
Shire of Boddington	0	0	0	1	4
Shire of Boyup Brook	0	1	0	0	15
Shire of Bridgetown-					
Greenbushes	0	1	0	1	10
Shire of Brookton	0	1	0	0	3
Shire of Broome	0	1	2	1	1
Shire of Broomehill-Tambellup	0	0	1	0	5
Shire of Bruce Rock	0	0	1	0	3
City of Bunbury	1	1	0	1	1
City of Busselton	0	3	0	1	15
Town of Cambridge	0	0	0	0	0
City of Canning	1	0	0	1	0
Shire of Capel	0	0	0	0	5
Shire of Carnamah	0	0	0	1	2
Shire of Carnarvon	0	1	1	1	1
Shire of Chapman Valley	0	0	0	0	6
Shire of Chittering	0	0	0	0	6
Shire of Christmas Island	0	0	1	0	0
Town of Claremont	1	0	0	0	0
City of Cockburn	1	0	0	1	2
Shire of Cocos Islands	0	0	2	0	0
Shire of Collie	0	1	0	1	6
Shire of Coolgardie	0	2	0	0	2
Shire of Coorow	0	0	0	0	6
Shire of Corrigin	0	1	0	0	5
Town of Cottesloe	0	0	0	0	0
Shire of Cranbrook	0	0	0	0	12
Shire of Cuballing	0	0	0	0	1
Shire of Cue	0	1	0	0	1
Shire of Cunderdin	0	1	0	0	3

¹⁷ BFS and SES counts as reported at December 2021. Counts show units/brigades located in a single LG area and do not show units/brigades that cover multiple LG areas.

	Career Fire & Rescue Service	Volunteer Fire & Rescue Service	Volunteer Fire & Emergency Service	Volunteer State Emergency Service	Volunteer Bush Fire Service
LG entity	(CFRS)	(VFRS)	(VFES)	(SES)	(BFS)
Shire of Dalwallinu	0	1	0	0	5
Shire of Dandaragan	0	1	1	0	4
Shire of Dardanup	0	1	0	0	8
Shire of Denmark	0	1	0	1	16
Shire of Derby/West Kimberley	0	1	1	1	1
Shire of Donnybrook-Balingup	0	1	0	1	12
Shire of Dowerin	0	0	0	0	3
Shire of Dumbleyung	0	1	0	0	4
Shire of Dundas	0	1	1	0	2
Town of East Fremantle	0	0	0	0	0
Shire of East Pilbara	0	1	1	1	2
Shire of Esperance	0	1	0	1	16
Shire of Exmouth	0	1	0	1	1
City of Fremantle	1	0	0	0	0
Shire of Gingin	0	2	0	0	9
Shire of Gnowangerup	0	0	0	1	3
Shire of Goomalling	0	1	0	0	4
City of Gosnells	2	0	0	1	1
City of Greater Geraldton	1	2	0	1	11
Shire of Halls Creek	0	0	1	0	0
Shire of Harvey	0	2	0	2	8
Shire of Irwin	0	1	0	0	2
Shire of Jerramungup	0	0	2	0	4
City of Joondalup	2	0	0	1	0
City of Kalamunda	0	2	0	1	1
City of Kalgoorlie-Boulder	1	1	0	1	0
City of Karratha	0	4	0	2	2
Shire of Katanning	0	1	0	0	4
Shire of Kellerberrin	0	1	0	0	6
Shire of Kent	0	0	0	0	6
Shire of Kojonup	0	1	0	0	12
Shire of Kondinin	0	0	2	0	5
Shire of Koorda	0	0	0	0	2
Shire of Kulin	0	1	0	0	5
City of Kwinana	1	1	0	0	2
Shire of Lake Grace	0	1	0	0	9
Shire of Laverton	0	1	0	0	1
Shire of Leonora	0	1	0	0	0
City of Mandurah	1	2	0	1	1
Shire of Manjimup	0	4	0	2	20
Shire of Meekatharra	0	1	0	1	1
City of Melville	1	0	0	1	0
Shire of Menzies	0	0	0	0	1
Shire of Merredin	0	1	0	1	7
Shire of Mingenew	0	0	0	0	5
Shire of Moora	0	1	0	1	5
Shire of Morawa	0	0	1	0	4
Town of Mosman Park	0	0	0	0	0
Shire of Mount Magnet	0	1	0	0	1
Shire of Mount Marshall	0	0	1	0	6
Shire of Mukinbudin	0	0	1	0	2
Shire of Mundaring	0	1	0	1	9
Shire of Murchison	0	0	0	0	4

	Career Fire & Rescue Service	Volunteer Fire & Rescue Service	Volunteer Fire & Emergency Service	Volunteer State Emergency Service	Volunteer Bush Fire Service
LG entity	(CFRS)	(VFRS)	(VFES)	(SES)	(BFS)
Shire of Murray	0	1	0	1	5
Shire of Nannup	0	1	0	1	9
Shire of Narembeen	0	0	1	0	1
Shire of Narrogin	0	1	0	1	10
City of Nedlands	0	0	0	0	0
Shire of Ngaanyatjarraku	0	0	0	0	0
Shire of Northam	0	2	0	1	10
Shire of Northampton	0	2	0	1	6
Shire of Nungarin	0	0	0	0	6
Shire of Peppermint Grove	0	0	0	0	0
Shire of Perenjori	0	0	0	0	2
City of Perth	1	0	0	0	0
Shire of Pingelly	0	1	0	1	4
Shire of Plantagenet	0	1	0	1	11
Town of Port Hedland	0	2	0	1	1
Shire of Quairading	0	1	0	0	5
Shire of Ravensthorpe	0	1	1	1	9
City of Rockingham	2	2	2	1	0
Shire of Sandstone	0	0	0	0	1
Shire of Serpentine-Jarrahdale	0	0	0	1	7
Shire of Shark Bay	0	1	0	2	1
City of South Perth	0	0	0	0	0
City of Stirling	1	0	0	1	0
City of Subiaco	1	0	0	0	0
City of Swan	4	0	1	1	5
Shire of Tammin	0	0	1	0	1
Shire of Three Springs	0	0	0	0	4
Shire of Toodyay	0	1	0	1	5
Shire of Trayning	0	0	1	0	0
Shire of Upper Gascoyne	0	0	0	0	1
Town of Victoria Park	1	0	0	0	0
Shire of Victoria Plains	0	0	0	0	5
City of Vincent	1	0	0	1	0
Shire of Wagin	0	1	0	1	7
Shire of Wandering	0	0	0	0	4
City of Wanneroo	2	1	0	1	4
Shire of Waroona	0	0	1	0	3
Shire of West Arthur	0	0	0	0	3
Shire of Westonia	0	0	0	0	3
Shire of Wickepin	0	0	0	0	5
Shire of Williams	0	1	0	0	6
Shire of Wiluna	0	0	0	0	1
Shire of Wongan-Ballidu	0	1	1	0	4
Shire of Woodanilling	0	0	0	0	5
Shire of Wyalkatchem	0	1	0	0	3
Shire of Wyndham-East					
Kimberley	0	1	1	1	5
Shire of Yalgoo	0	0	0	0	2
Shire of Yilgarn	0	1	0	0	8
Shire of York	0	1	1	0	4

	Career Fire & Rescue Service	Volunteer Fire & Rescue Service	Volunteer Fire & Emergency Service	Volunteer State Emergency Service	Volunteer Bush Fire Service
LG entity	(CFRS)	(VFRS)	(VFES)	(SES)	(BFS)
Total	30	94	33*	63#	563

Source: OAG based on DFES information

^{*} There are four VFES units run directly by DFES and not linked to any LG entity.

[#] There is one SES unit run directly by DFES and not linked to any LG entity.

Supporting data 2: Entity responsible for initial fire response by LG area

Responsibility for responding to fire in WA is shared across multiple State and local government entities and services. Initial response to a fire usually depends on where the fire starts with emergency response services and resources moving across LG areas to offer support and ensure hazards are managed rapidly and effectively. Control of the response effort can also transfer between entities.

The following table shows the population and land area proportions (in brackets) for which each entity is typically responsible for coordinating the initial fire response.

	L	G	DF	ES	DB	SCA	To	otal
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
City of Albany	3,840.1 (89.1%)	12,499 (32.3%)	49.3 (1.1%)	26,222 (67.7%)	419.1 (9.7%)	NA	4,308.5	38,721
City of Armadale	99.9 (17.9%)	4,468 (4.7%)	116.6 (20.8%)	89,771 (95.3%)	343.0 (61.3%)	NA	559.5	94,239
Shire of Ashburton	88,288.5 (87.6%)	6,625 (89.5%)	4.0 (0.0%)	781 (10.5%)	12,524.8 (12.4%)	NA	100,817.3	7,406
Shire of Augusta Margaret River	1,014.8 (47.8%)	4,927 (29.5%)	27.9 (1.3%)	11,748 (70.5%)	1,079.7 (50.9%)	NA	2,122.4	16,675
Town of Bassendean	-	-	10.3 (100%)	15,937 (100%)	-	NA	10.3	15,937
City of Bayswater	-	-	34.6 (100%)	69,105 (100%)	-	NA	34.6	69,105
City of Belmont	-	-	39.8 (100%)	42,162 (100%)	-	NA	39.8	42,162
Shire of Beverley	1,744.2 (73.6%)	828 (49.2%)	7.1 (0.3%)	855 (50.8%)	619.2 (26.1%)	NA	2,370.5	1,683
Shire of Boddington	1,022.0 (53.7%)	1,702 (100%)	-	-	882.5 (46.3%)	NA	1,904.5	1,702
Shire of Boyup Brook	2,225.5 (78.7%)	1,279 (70.4%)	3.5 (0.1%)	538 (29.6%)	597.5 (21.1%)	NA	2,826.5	1,817
Shire of Bridgetown-Greenbushes	666.7 (49.9%)	2,384 (45.4%)	21.8 (1.6%)	2,869 (54.6%)	648.9 (48.5%)	NA	1,337.4	5,253

	L	.G	DF	ES	DE	SCA	Т	otal
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
Shire of Brookton	1,432.8 (89.5%)	408 (43.2%)	4.5 (0.3%)	536 (56.8%)	163.9 (10.2%)	NA	1,601.2	944
Shire of Broome	52,555.8 (96.6%)	2,303 (13.6%)	46.1 (0.1%)	14,625 (86.4%)	1,799.9 (3.3%)	NA	54,401.8	16,928
Shire of Broomehill-Tambellup	2,594.1 (99.4%)	1,051 (100%)	-	-	15.6 (0.6%)	NA	2,609.7	1,051
Shire of Bruce Rock	2,665.9 (97.8%)	995 (100%)	-	-	58.8 (2.2%)	NA	2,724.7	995
City of Bunbury	8.4 (12.8%)	3 (0.0%)	57.0 (87.2%)	32,970 (100.0%)	-	NA	65.4	32,973
City of Busselton	928.6 (63.9%)	6,525 (16.1%)	64.5 (4.4%)	33,959 (83.9%)	461.0 (31.7%)	NA	1,454.1	40,484
Town of Cambridge	-	-	22.0 (100%)	29,049 (100%)	-	NA	22.0	29,049
City of Canning	-	-	64.9 (100%)	95,826 (100%)	-	NA	64.9	95,826
Shire of Capel	452.9 (81.2%)	8,418 (46.3%)	11.8 (2.1%)	9,774 (53.7%)	93.2 (16.7%)	NA	557.9	18,192
Shire of Carnamah	2,244.3 (78.2%)	540 (100%)	-	-	626.6 (21.8%)	NA	2,870.9	540
Shire of Carnarvon	44,599.2 (95.8%)	981 (18.7%)	38.7 (0.1%)	4,262 (81.3%)	1,936.8 (4.2%)	NA	46,574.7	5,243
Shire of Chapman Valley	3,405.5 (85.5%)	1,558 (100%)	-	-	575.8 (14.5%)	NA	3,981.3	1,558
Shire of Chittering	1,181.2 (96.8%)	5,957 (100%)	-	-	38.7 (3.2%)	NA	1,219.9	5,957
Shire of Christmas Island	-	-	136.1 (100%)	1,699 (100%)	-	NA	136.1	1,699
Town of Claremont	-	-	5.0 (100%)	11,262 (100%)	-	NA	5.0	11,262
City of Cockburn	18.5 (11.0%)	1,612 (1.4%)	130.3 (77.6%)	116,598 (98.6%)	19.1 (11.4%)	NA	167.9	118,210
Shire of Cocos Islands	-	-	13.7 (100%)	593 (100%)	-	NA	13.7	593

	L	.G	DF	ES	DE	BCA	To	otal
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
Shire of Collie	328.5 (19.2%)	1,352 (15.3%)	23.6 (1.4%)	7,463 (84.7%)	1,357.7 (79.4%)	NA	1,709.8	8,815
Shire of Coolgardie	28,210.7 (93.1%)	331 (9.6%)	10.7 (0.0%)	3,129 (90.4%)	2,076.3 (6.9%)	NA	30,297.7	3,460
Shire of Coorow	3,469.4 (82.8%)	1,051 (100%)	-	-	720.5 (17.2%)	NA	4,189.9	1,051
Shire of Corrigin	2,647.4 (98.7%)	473 (47.1%)	3.0 (0.1%)	531 (52.9%)	30.9 (1.2%)	NA	2,681.3	1,004
Town of Cottesloe	-	-	3.9 (100%)	8,005 (100%)	-	NA	3.9	8,005
Shire of Cranbrook	2,813.9 (85.9%)	1,101 (100%)	-	-	462.1 (14.1%)	NA	3,276.0	1,101
Shire of Cuballing	1,067.6 (89.3%)	902 (100%)	-	-	127.7 (10.7%)	NA	1,195.3	902
Shire of Cue	13,424.4 (98.8%)	78 (36.6%)	2.3 (0.0%)	135 (63.4%)	155.5 (1.1%)	NA	13,582.2	213
Shire of Cunderdin	1,859.3 (99.8%)	674 (51.7%)	2.7 (0.1%)	630 (48.3%)	0.4 (0.0%)	NA	1,862.4	1,304
Shire of Dalwallinu	6,901.2 (95.5%)	660 (48.3%)	4.2 (0.1%)	707 (51.7%)	319.0 (4.4%)	NA	7,224.4	1,367
Shire of Dandaragan	5,465.2 (81.4%)	1,758 (52.1%)	16.1 (0.2%)	1,617 (47.9%)	1,230.3 (18.3%)	NA	6,711.6	3,375
Shire of Dardanup	278.9 (53.0%)	3,428 (23.4%)	13.8 (2.6%)	11,206 (76.6%)	233.1 (44.3%)	NA	525.8	14,634
Shire of Denmark	690.3 (37.1%)	2,690 (42.7%)	19.9 (1.1%)	3,615 (57.3%)	1,149.6 (61.8%)	NA	1,859.8	6,305
Shire of Derby/West Kimberley	114,654.2 (95.8%)	4,527 (63.7%)	12.8 (0.0%)	2,583 (36.3%)	5,064.0 (4.2%)	NA	119,731.0	7,110
Shire of Donnybrook-Balingup	678.7 (43.5%)	3,269 (53.0%)	12.1 (0.8%)	2,898 (47.0%)	869.1 (55.7%)	NA	1,559.9	6,167
Shire of Dowerin	1,844.2 (99.0%)	698 (100%)	-	-	18.9 (1.0%)	NA	1,863.1	698
Shire of Dumbleyung	2,421.0 (95.3%)	451 (65.2%)	1.4 (0.1%)	241 (34.8%)	116.8 (4.6%)	NA	2,539.2	692

	L	.G	DF	ES	DE	BCA .	To	otal
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
Shire of Dundas	83,804.0 (90.2%)	129 (18.9%)	5.3 (0.0%)	552 (81.1%)	9,077.1 (9.8%)	NA	92,886.4	681
Town of East Fremantle	-	-	3.1 (100%)	7,839 (100%)	-	NA	3.1	7,839
Shire of East Pilbara	358,088.5 (96.2%)	5,570 (57.0%)	7.1 (0.0%)	4,194 (43.0%)	14,200.1 (3.8%)	NA	372,295.7	9,764
Shire of Esperance	34,921.1 (78.0%)	3,939 (28.4%)	20.8 (0.1%)	9,934 (71.6%)	9,855.6 (22.0%)	NA	44,797.5	13,873
Shire of Exmouth	5,355.8 (82.6%)	292 (9.5%)	13.0 (0.2%)	2,795 (90.5%)	1,119.4 (17.3%)	NA	6,488.2	3,087
City of Fremantle	-	-	19.3 (100%)	31,951 (100%)	-	NA	19.3	31,951
Shire of Gingin	2,284.0 (71.2%)	3,452 (61.6%)	122.7 (3.8%)	2,155 (38.4%)	801.7 (25.0%)	NA	3,208.4	5,607
Shire of Gnowangerup	3,867.2 (90.7%)	1,210 (100%)	-	-	397.8 (9.3%)	NA	4,265.0	1,210
Shire of Goomalling	1,828.3 (99.6%)	512 (52.7%)	3.0 (0.2%)	459 (47.3%)	4.1 (0.2%)	NA	1,835.4	971
City of Gosnells	30.7 (24.1%)	1,097 (0.9%)	88.9 (69.8%)	125,298 (99.1%)	7.7 (6.1%)	NA	127.3	126,395
City of Greater Geraldton	9,609.3 (97.0%)	4,884 (12.4%)	62.5 (0.6%)	34,603 (87.6%)	237.2 (2.4%)	NA	9,909.0	39,487
Shire of Halls Creek	124,003.4 (93.2%)	3,573 (100%)	-	-	9,042.6 (6.8%)	NA	133,046.0	3,573
Shire of Harvey	927.7 (53.7%)	9,179 (32.1%)	22.8 (1.3%)	19,432 (67.9%)	777.1 (45.0%)	NA	1,727.6	28,611
Shire of Irwin	2,068.1 (87.3%)	919 (25.0%)	11.2 (0.5%)	2,756 (75.0%)	290.0 (12.2%)	NA	2,369.3	3,675
Shire of Jerramungup	5,119.6 (78.6%)	1,162 (100%)	-	-	1,391.6 (21.4%)	NA	6,511.2	1,162
City of Joondalup	_	-	98.9 (100%)	159,683 (100%)	-	NA	98.9	159,683
City of Kalamunda	44.0 (13.6%)	2,601 (4.4%)	73.9 (22.8%)	56,087 (95.6%)	206.4 (63.6%)	NA	324.3	58,688

	L	.G	DF	ES	DE	CA	To	otal
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
City of Kalgoorlie-Boulder	91,828.6 (96.2%)	224 (0.8%)	97.1 (0.1%)	29,117 (99.2%)	3,574.6 (3.7%)	NA	95,500.3	29,341
City of Karratha	14,975.4 (98.3%)	2,555 (11.5%)	91.3 (0.6%)	19,643 (88.5%)	171.6 (1.1%)	NA	15,238.3	22,198
Shire of Katanning	1,455.6 (95.9%)	530 (13.0%)	9.7 (0.6%)	3,535 (87.0%)	52.9 (3.5%)	NA	1,518.2	4,065
Shire of Kellerberrin	1,881.8 (98.3%)	356 (31.5%)	3.4 (0.2%)	774 (68.5%)	30.2 (1.6%)	NA	1,915.4	1,130
Shire of Kent	4,454.7 (79.2%)	495 (100%)	-	-	1,169.9 (20.8%)	NA	5,624.6	495
Shire of Kojonup	2,906.1 (99.2%)	1,047 (55.4%)	4.4 (0.2%)	842 (44.6%)	20.5 (0.7%)	NA	2,931.0	1,889
Shire of Kondinin	7,151.1 (96.1%)	839 (100%)	-	-	289.7 (3.9%)	NA	7,440.8	839
Shire of Koorda	2,767.1 (97.7%)	368 (100%)	-	-	65.2 (2.3%)	NA	2,832.3	368
Shire of Kulin	4,429.5 (93.9%)	480 (62.1%)	1.2 (0.0%)	293 (37.9%)	288.2 (6.1%)	NA	4,718.9	773
City of Kwinana	32.2 (26.8%)	6,307 (13.8%)	85.7 (71.4%)	39,482 (86.2%)	2.1 (1.8%)	NA	120.0	45,789
Shire of Lake Grace	9,867.0 (83.0%)	830 (65.5%)	1.7 (0.0%)	437 (34.5%)	2,017.6 (17.0%)	NA	11,886.3	1,267
Shire of Laverton	168,169.7 (93.4%)	926 (69.6%)	2.2 (0.0%)	404 (30.4%)	11,822.1 (6.6%)	NA	179,994.0	1,330
Shire of Leonora	31,452.3 (98.6%)	1,001 (62.9%)	5.0 (0.0%)	591 (37.1%)	457.8 (1.4%)	NA	31,915.1	1,592
City of Mandurah	36.6 (20.9%)	1,824 (2.1%)	82.2 (47.0%)	86,821 (97.9%)	56.1 (32.1%)	NA	174.9	88,645
Shire of Manjimup	1,331.2 (18.9%)	3,635 (40.0%)	35.4 (0.5%)	5,455 (60.0%)	5,663.0 (80.6%)	NA	7,029.6	9,090
Shire of Meekatharra	97,833.4 (97.7%)	539 (44.9%)	2.9 (0.0%)	661 (55.1%)	2,352.2 (2.4%)	NA	100,188.5	1,200
City of Melville	<u>-</u>	-	52.9 (100%)	103,521 (100%)	-	NA	52.9	103,521

	L	.G	DF	ES	DE	BCA	To	otal
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
Shire of Menzies	95,602.1 (77.0%)	517 (100%)	-	-	28,513.3 (23.0%)	NA	124,115.4	517
Shire of Merredin	3,204.6 (97.3%)	695 (22.2%)	14.0 (0.4%)	2,441 (77.8%)	75.2 (2.3%)	NA	3,293.8	3,136
Shire of Mingenew	1,917.2 (99.1%)	408 (100%)	-	-	17.7 (0.9%)	NA	1,934.9	408
Shire of Moora	3,622.7 (96.3%)	759 (33.2%)	5.7 (0.2%)	1,524 (66.8%)	134.6 (3.6%)	NA	3,763.0	2,283
Shire of Morawa	3,223.6 (91.8%)	668 (100%)	-	-	287.0 (8.2%)	NA	3,510.6	668
Town of Mosman Park	-	-	4.3 (100%)	9,143 (100%)	-	NA	4.3	9,143
Shire of Mount Magnet	13,698.0 (98.8%)	72 (10.9%)	3.1 (0.0%)	587 (89.1%)	157.0 (1.1%)	NA	13,858.1	659
Shire of Mount Marshall	7,163.6 (70.3%)	452 (100%)	-	-	3,021.0 (29.7%)	NA	10,184.6	452
Shire of Mukinbudin	3,238.8 (94.5%)	592 (100%)	-	-	188.1 (5.5%)	NA	3,426.9	592
Shire of Mundaring	367.6 (57.2%)	18,589 (47.5%)	37.5 (5.8%)	20,529 (52.5%)	238.1 (37.0%)	NA	643.2	39,118
Shire of Murchison	44,952.6 (99.8%)	104 (100%)	-	-	93.5 (0.2%)	NA	45,046.1	104
Shire of Murray	849.5 (49.9%)	13,364 (75.7%)	15.2 (0.9%)	4,301 (24.3%)	838.8 (49.2%)	NA	1,703.5	17,665
Shire of Nannup	625.1 (20.5%)	1,011 (64.7%)	2.5 (0.1%)	551 (35.3%)	2,426.3 (79.5%)	NA	3,053.9	1,562
Shire of Narembeen	3,764.7 (98.8%)	791 (100%)	-	-	44.3 (1.2%)	NA	3,809.0	791
Shire of Narrogin	1,501.0 (92.0%)	833 (17.6%)	14.0 (0.9%)	3,906 (82.4%)	116.3 (7.1%)	NA	1,631.3	4,739
City of Nedlands	-	_	19.6 (100%)	22,160 (100%)	-	NA	19.6	22,160
Shire of Ngaanyatjarraku	141,411.3 (88.5%)	1,363 (100%)	-	-	18,404.7 (11.5%)	NA	159,816.0	1,363

	LG		DFES		DBCA		Total	
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
Shire of Northam	1,317.2 (92.0%)	3,810 (33.6%)	31.3 (2.2%)	7,529 (66.4%)	82.7 (5.8%)	NA	1,431.2	11,339
Shire of Northampton	10,616.6 (84.6%)	958 (29.7%)	114.4 (0.9%)	2,265 (70.3%)	1,812.7 (14.5%)	NA	12,543.7	3,223
Shire of Nungarin	1,065.1 (91.4%)	246 (100%)	-	-	100.9 (8.7%)	NA	1,166.0	246
Shire of Peppermint Grove	-	-	1.1 (100%)	1,604 (100%)	-	NA	1.1	1,604
Shire of Perenjori	8,274.8 (99.7%)	633 (100%)	-	-	26.6 (0.3%)	NA	8,301.4	633
City of Perth	-	-	13.7 (100%)	28,537 (100%)	-	NA	13.7	28,537
Shire of Pingelly	1,212.8 (93.7%)	359 (34.7%)	6.0 (0.5%)	677 (65.3%)	75.8 (5.9%)	NA	1,294.6	1,036
Shire of Plantagenet	3,376.2 (69.2%)	3,411 (63.3%)	12.2 (0.3%)	1,976 (36.7%)	1,488.3 (30.5%)	NA	4,876.7	5,387
Town of Port Hedland	18,354.6 (99.7%)	296 (1.9%)	61.3 (0.3%)	15,330 (98.1%)	1.2 (0.0%)	NA	18,417.1	15,626
Shire of Quairading	1,984.4 (98.4%)	382 (39.7%)	6.0 (0.3%)	581 (60.3%)	26.5 (1.3%)	NA	2,016.9	963
Shire of Ravensthorpe	7,914.3 (80.4%)	1,753 (85.3%)	1.9 (0.0%)	302 (14.7%)	1,925.6 (19.6%)	NA	9,841.8	2,055
City of Rockingham	129.0 (50.1%)	35,455 (26.1%)	109.0 (42.3%)	100,235 (73.9%)	19.5 (7.6%)	NA	257.5	135,690
Shire of Sandstone	32,604.8 (100%)	105 (100%)	-	-	0.5 (0.0%)	NA	32,605.3	105
Shire of Serpentine-Jarrahdale	454.0 (50.4%)	31,856 (99.2%)	0.2 (0.0%)	241 (0.8%)	447.0 (49.6%)	NA	901.2	32,097
Shire of Shark Bay	18,249.3 (75.4%)	308 (30.2%)	4.9 (0.0%)	711 (69.8%)	5,947.3 (24.6%)	NA	24,201.5	1,019
City of South Perth	<u>-</u>	-	19.8 (100%)	43,359 (100%)	-	NA	19.8	43,359
City of Stirling	-	-	104.7 (100%)	226,687 (100%)	-	NA	104.7	226,687

	LG		DFES		DBCA		Total	
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
City of Subiaco	-	-	5.6 (100%)	17,282 (100%)	-	NA	5.6	17,282
City of Swan	600.7 (57.6%)	9,715 (6.4%)	247.6 (23.7%)	143,075 (93.6%)	194.7 (18.7%)	NA	1,043.0	152,790
Shire of Tammin	1,084.8 (98.5%)	245 (64.0%)	0.9 (0.1%)	138 (36.0%)	16.0 (1.5%)	NA	1,101.7	383
Shire of Three Springs	2,606.5 (98.1%)	577 (100%)	-	-	50.2 (1.9%)	NA	2,656.7	577
Shire of Toodyay	1,291.0 (76.3%)	3,766 (81.7%)	4.1 (0.2%)	841 (18.3%)	396.5 (23.4%)	NA	1,691.6	4,607
Shire of Trayning	1,620.7 (98.2%)	292 (100%)	-	-	30.5 (1.9%)	NA	1,651.2	292
Shire of Upper Gascoyne	56,857.1 (98.4%)	166 (100%)	-	-	952.8 (1.7%)	NA	57,809.9	166
Town of Victoria Park	-	-	17.9 (100%)	37,071 (100%)	-	NA	17.9	37,071
Shire of Victoria Plains	2,540.6 (99.6%)	808 (100%)	-	-	10.4 (0.4%)	NA	2,551.0	808
City of Vincent	-	-	11.4 (100%)	36,374 (100%)	-	NA	11.4	36,374
Shire of Wagin	1,885.0 (96.9%)	500 (28.3%)	7.8 (0.4%)	1,266 (71.7%)	53.4 (2.7%)	NA	1,946.2	1,766
Shire of Wandering	988.6 (51.9%)	550 (100%)	-	-	915.3 (48.1%)	NA	1,903.9	550
City of Wanneroo	175.4 (25.7%)	7,798 (3.7%)	197.0 (28.8%)	201,338 (96.3%)	310.9 (45.5%)	NA	683.3	209,136
Shire of Waroona	410.9 (49.4%)	1,888 (44.8%)	5.1 (0.6%)	2,327 (55.2%)	416.2 (50.0%)	NA	832.2	4,215
Shire of West Arthur	2,528.2 (89.3%)	785 (100%)	-	-	303.6 (10.7%)	NA	2,831.8	785
Shire of Westonia	3,050.8 (91.9%)	267 (100%)	-	-	268.6 (8.1%)	NA	3,319.4	267
Shire of Wickepin	2,000.4 (98.0%)	682 (100%)	-	-	40.5 (2.0%)	NA	2,040.9	682

	LG DFES		ES	DBCA		Total		
	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population	Area (km²)	Population
Shire of Williams	1,872.1 (81.2%)	607 (59.0%)	2.1 (0.1%)	422 (41.0%)	430.5 (18.7%)	NA	2,304.7	1,029
Shire of Wiluna	181,193.3 (99.9%)	530 (100%)	-	-	104.0 (0.1%)	NA	181,297.3	530
Shire of Wongan-Ballidu	3,289.5 (97.8%)	368 (28.6%)	14.6 (0.4%)	918 (71.4%)	61.0 (1.8%)	NA	3,365.1	1,286
Shire of Woodanilling	1,115.5 (98.8%)	452 (100%)	-	-	13.3 (1.2%)	NA	1,128.8	452
Shire of Wyalkatchem	1,577.6 (98.9%)	173 (36.4%)	2.6 (0.2%)	302 (63.6%)	14.3 (0.9%)	NA	1,594.5	475
Shire of Wyndham-East Kimberley	97,354.0 (86.9%)	2,172 (29.0%)	64.0 (0.1%)	5,305 (71.0%)	14,648.3 (13.1%)	NA	112,066.3	7,477
Shire of Yalgoo	26,349.4 (94.3%)	339 (100%)	-	-	1,600.1 (5.7%)	NA	27,949.5	339
Shire of Yilgarn	25,695.1 (84.4%)	1,209 (100%)	-	-	4,733.7 (15.6%)	NA	30,428.8	1,209
Shire of York	1,607.8 (75.4%)	1,126 (32.5%)	15.2 (0.7%)	2,334 (67.5%)	508.6 (23.9%)	NA	2,131.6	3,460
Total	2,318,658 (91.8%)	303,786 (11.5%)	3,262 (0.1%)	2,347,384 (88.5%)	204,862 (8.1%)	NA	2,526,782	2,651,170

Source: OAG based on DFES information and ABS data

Data caveats

Area calculated after projecting the shape map to GDA2020/Australian Albers Coordinate Reference System:

- coastal buffer removed from area calculations
- area covered by DFES, Department of Biodiversity, Conservation and Attractions (DBCA) and LG entities is rounded to the nearest whole number; proportions were rounded to two decimal places (where proportions were too small values were rounded up to 0.01).

Where DFES and DBCA areas overlap, the DBCA area is included as a DFES area.

Population calculation is based on ABS Mesh Blocks (2021):

- when a Mesh Block is shared between different areas, population is calculated as a proportion of the area that Mesh Block covers
- population living in DBCA areas was added to the area managed by the LG entity.

There are four VFES units and one SES unit run directly by DFES. These units are not linked to any LG entity and are not included in the data extract but are considered for all State-wide statistics.

Auditor General's 2022-23 reports

Number	Title	Date tabled
12	Financial Audit Results – State Government 2021-22	22 December 2022
11	Compliance with Mining Environmental Conditions	20 December 2022
10	Regulation for Commercial Fishing	7 December 2022
9	Management of Long Stay Patients in Public Hospitals	16 November 2022
8	Forensic Audit Results 2022	16 November 2022
7	Opinion on Ministerial Notification – Tom Price Hospital Redevelopment and Meekatharra Health Centre Business Cases	2 November 2022
6	Compliance Frameworks for Anti-Money Laundering and Counter-Terrorism Financing Obligations	19 October 2022
5	Financial Audit Results – Local Government 2020-21	17 August 2022
4	Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
3	Public Trustee's Administration of Trusts and Deceased Estates	10 August 2022
2	Financial Audit Results – Universities and TAFEs 2021	21 July 2022
1	Opinion on Ministerial Notification – Wooroloo Bushfire Inquiry	18 July 2022

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