

## INDEPENDENT AUDITOR'S OPINION

### OFFICE OF THE AUDITOR GENERAL FINANCIAL STATEMENTS



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CHARTERED BUSINESS ADVISORS

Partners  
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**INDEPENDENT AUDIT REPORT  
TO THE PARLIAMENT OF WESTERN AUSTRALIA**

**OFFICE OF THE AUDITOR GENERAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

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**SCOPE**

I have audited the financial statements comprising the Income Statement, Balance Sheet, Cash Flow Statement and Notes to the financial statements of the Office of the Auditor General for the year ended 30 June 2006 under the provisions of the Financial Administration and Audit Act 1985.

The Accountable Officer is responsible for keeping proper accounts and maintaining adequate system of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Accountable Officer.

My audit was performed in accordance with section 81 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Office of the Auditor General to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, so as to present a view which is consistent with our understanding of the Office of the Auditor General's financial position, the results of its operations and its cash flows.

The audit opinion expressed below has been formed on the above basis.

**AUDIT OPINION**

In my opinion:

- (i) The controls exercised by the Office of the Auditor General provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) The financial statements of the Office of the Auditor General are based on proper accounts and present fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Office of the Auditor General as at 30 June 2006 and financial performance and cash flows ended on that date.

**RIX LEVY FOWLER**  
Chartered Business Advisors

DATED at PERTH this 24<sup>th</sup> day of August 2006

**PHILLIP RIX**  
Partner

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OFFICE OF THE AUDITOR GENERAL

INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006

<b>COST OF SERVICES</b>	Note	2006 \$'000	2005 \$'000
<b>Expenses</b>			
Employee benefits expense	7	7 596	7 320
Supplies and services	8	5 657	4 220
Depreciation and amortisation expense	9	338	398
Accommodation expenses	10	609	616
Capital user charge	11	49	114
Loss on disposal of non-current assets	12	0	26
<b>Total cost of services</b>		<u>14 249</u>	<u>12 694</u>
<b>Income</b>			
<i>Revenue</i>			
Other revenue	13	<u>100</u>	<u>67</u>
<b>Total revenue</b>		<u>100</u>	<u>67</u>
<b>NET COST OF SERVICES</b>		<b>14 149</b>	<b>12 627</b>
<b>INCOME FROM STATE GOVERNMENT</b>			
Service Appropriation	14	14 535	12 405
Liabilities assumed by the Treasurer		84	110
Resources received free of charge		12	37
<b>Total income from State Government</b>		<u>14 631</u>	<u>12 552</u>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>482</b>	<b>(75)</b>

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

OFFICE OF THE AUDITOR GENERAL

BALANCE SHEET  
AT 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	25	2 094	982
Receivables	16	498	323
Amounts receivable for services	17	446	419
<b>Total Current Assets</b>		<u>3 038</u>	<u>1 724</u>
<b>Non Current Assets</b>			
Restricted cash and cash equivalents	15	25	0
Property, plant and equipment	18	844	876
Intangible assets	19	62	0
<b>Total Non-Current Assets</b>		<u>931</u>	<u>876</u>
<b>TOTAL ASSETS</b>		<b>3 969</b>	<b>2 600</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		51	113
Provisions	22	1 308	1 236
Other current liabilities	23	1 193	289
<b>Total Current Liabilities</b>		<u>2 553</u>	<u>1 638</u>
<b>Non-Current Liabilities</b>			
Provisions	22	332	387
<b>Total Non-Current Liabilities</b>		<u>332</u>	<u>387</u>
<b>TOTAL LIABILITIES</b>		<b>2 885</b>	<b>2 025</b>
<b>NET ASSETS</b>		<b>1 084</b>	<b>575</b>
<b>EQUITY</b>			
Contributed equity	24	629	602
Accumulated surplus / (deficiency)		455	( 27)
<b>TOTAL EQUITY</b>		<u>1 084</u>	<u>575</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3 969</b>	<b>2 600</b>

The Balance Sheet should be read in conjunction with the accompanying notes.

OFFICE OF THE AUDITOR GENERAL

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
<b>Balance of equity at start of period</b>		575	578
<b>CONTRIBUTED EQUITY</b>			
Balance at start of period		602	530
Capital contribution		27	72
Other contributions by owners			#
Distributions to owners			
<b>Balance at end of period</b>	24	<u>629</u>	<u>602</u>
<b>ACCUMULATED SURPLUS (RETAINED EARNINGS)</b>			
Balance at start of period		( 27)	48
Surplus/(deficit) for the period		482	( 75)
<b>Balance at end of period</b>	24	<u>455</u>	<u>( 27)</u>
<b>BALANCE OF EQUITY AT END OF PERIOD</b>		<b>1 084</b>	<b>575</b>
<b>Total income and expense for the period</b>		482	( 75)

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

OFFICE OF THE AUDITOR GENERAL

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		14 089	11 986
Capital contributions		27	72
Holding account drawdowns		419	350
<b>Net cash provided by State Government</b>		<b>14 535</b>	<b>12 408</b>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(7 675)	(7 762)
Supplies and services		(3 975)	(2 798)
Capital User Charge		0	( 80)
Accommodation		( 615)	( 621)
GST payments on purchases		( 593)	( 460)
GST payments to taxation authority		0	0
Other payments		( 713)	( 677)
<b>Receipts</b>			
User charges and fees		0	83
GST receipts on sales		3	5
GST receipts from taxation authority		521	398
Other receipts		18	32
<b>Net cash provided by / (used in) operating activities</b>	25	<b>(13 029)</b>	<b>(11 880)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		0	85
Purchase of non-current physical assets		( 369)	( 540)
<b>Net cash provided by/ (used in) investing activities</b>		<b>( 369)</b>	<b>( 455)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 137</b>	<b>73</b>
Cash and cash equivalents at the beginning of period		982	909
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	25	<b>2 119</b>	<b>982</b>

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

**OFFICE OF THE AUDITOR GENERAL**

**SUMMARY OF CONSOLIDATED FUND APPROPRIATIONS AND  
INCOME ESTIMATES  
FOR THE YEAR ENDED 30 JUNE 2006**

	2006 Estimate \$'000	2006 Actual \$'000	Variance \$'000	2006 Actual \$'000	2005 Actual \$'000	Variance \$'000
<b>DELIVERY OF SERVICES</b>						
Item 40 Net amount appropriated to deliver services	12 826	14 204	(1 378)	14 204	12 183	2 021
Amount Authorised by Other Statutes <i>Financial Administration and Audit Act 1985 (FAAA)</i>	237	331	( 94)	331	222	109
<b>Total appropriations provided to deliver services</b>	<b>13 063</b>	<b>14 535</b>	<b>(1 472)</b>	<b>14 535</b>	<b>12 405</b>	<b>2 130</b>
<b>CAPITAL</b>						
Item 132 Capital Contribution	27	27	0	27	72	( 45)
<b>GRAND TOTAL</b>	<b>13 090</b>	<b>14 562</b>	<b>(1 472)</b>	<b>14 562</b>	<b>12 477</b>	<b>2 085</b>
<b>Details of Expenses by Service</b>						
Performance Auditing	13 043	14 249	(1 206)	14 249	12 694	1 555
Total Cost of Service	13 043	14 249	(1 206)	14 249	12 694	1 555
Less total income	( 20)	( 100)	80	( 100)	( 152)	52
Net Cost of Services	13 023	14 149	(1 126)	14 149	12 542	1 607
Adjustments (I)	40	386	( 346)	386	( 137)	523
<b>Total appropriations provided to deliver services</b>	<b>13 063</b>	<b>14 535</b>	<b>(1 472)</b>	<b>14 535</b>	<b>12 405</b>	<b>2 130</b>
<b>Capital Expenditure</b>						
Purchase of non-current physical assets	446	369	77	369	540	( 171)
Adjustment for other funding sources	( 419)	( 342)	( 77)	( 342)	( 468)	126
<b>Capital Contribution (appropriation)</b>	<b>27</b>	<b>27</b>	<b>0</b>	<b>27</b>	<b>72</b>	<b>( 45)</b>
<b>DETAILS OF INCOME ESTIMATES</b>						
Income disclosed as Administered Income	9 584	11 143	(1 559)	11 143	13 157	(2 014)

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

The Summary of Consolidated Fund Appropriations, Variance to Budget and Actual should be read in conjunction with the accompanying notes.

This Summary provides the basis for the Explanatory Statement information requirements of TI 945, set out in Note 33.

## OFFICE OF THE AUDITOR GENERAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

#### 1 OFFICE MISSION AND FUNDING

The Office of the Auditor General's mission, through Performance Auditing, is to enable the Auditor General to serve the public interest by communicating to Parliament independent and impartial information regarding public sector accountability and performance.

The Office is predominantly funded by Parliamentary appropriation. The financial statements include all funds through which the Office controls resources to carry out its functions.

#### 2 FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

##### General

This is the Office's first published financial statements prepared under Australian equivalents to International Financial Reporting Standards (AIFRS).

Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Until 30 June 2005, the financial statements have been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and the Urgent Issue Group (UIG) Interpretations.

In accordance with the option provided by AASB 1 paragraph 36A and exercised by Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements', financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis. All other comparative information is prepared under the AIFRS basis.

##### Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. This TI requires the early adoption of revised AASB 119 'Employee Benefits' as issued in December 2004, AASB 2004-3 'Amendments to Australian Accounting Standards; and 2005-3 'Amendments to Australian Accounting Standards [AASB 119]'; AASB 2005-4 'Amendments to Australian Accounting Standard [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]' and AASB 2005-6 'Amendments to Australian Accounting Standards [AASB 3]' to the annual reporting period beginning 1 July 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' so that the ability to designate financial assets and financial liabilities at fair value is restricted. AASB 2005-6 excludes business combinations involving common control from the scope of AASB 3 'Business Combinations'.

Reconciliations explaining the transition to AIFRS at 1 July 2004 and 30 June 2005 are provided at note 37 'Reconciliations explaining the transition to AIFRS'.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. *For example, AASB 116 requires land and buildings to be measured at cost or fair value; TI 954 mandates the fair value option.*

The *Financial Administration and Audit Act* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

#### (b) Basis of Preparation

The financial statements have been prepared in accordance with Accounting Standard AAS 29 'Financial Reporting by Government Departments' on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

The judgements that have been made in the process of applying the Office's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at note 4 'Judgements made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at note 5 'Key sources of estimation uncertainty'.

#### (c) Reporting Entity

The reporting entity comprises the Office of the Auditor General.

The Office administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Office. These administered balances and transactions are not recognised in the principal financial statements of the Office but schedules are prepared using the same basis as the financial statements and are presented at note 36 'Administered expenses and income' and note 36 'Administered assets and liabilities'.

#### (d) Contributed Equity

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

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES contd

#### (e) Income

##### *Revenue*

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

##### *Sale of goods*

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser.

##### *Rendering of services*

Revenue is recognised upon delivery of the service to the client or by reference to stage of completion. Audit fees are recognised in accordance with the percentage of the audit completed. The percentage of audit completed is measured by reference to labour hours incurred to date as a percentage of the estimated total hours.

##### *Service Appropriations*

Service Appropriations are recognised as revenues in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited into the Office's bank account or credited to the holding account held at the Department of Treasury and Finance. See note 14 'Income from State Government' for further detail.

##### *Net Appropriation Determination*

The Treasurer may make a determination providing for prescribed revenues to be retained for services under the control of the Office. In accordance with the determination specified in the 2005-06 Budget Statements, the Office retained \$33 000 in 2006 (\$67 000 in 2005) from the following:

- Executive Vehicle Scheme
- Other Revenue

##### *Gains*

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

#### (f) Property, Plant and Equipment

##### *Capitalisation/Expensing of assets*

Items of property, plant and equipment costing over \$1 000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$1 000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

##### *Initial recognition and measurement*

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

##### *Subsequent measurement*

Items of property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES contd

#### *Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner which reflects the consumption of their future economic benefits.

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

<b>Asset category</b>	<b>Life (years)</b>
Computer equipment	3
Office equipment, furniture & fittings	10

#### **(g) Intangible Assets**

##### *Capitalisation/Expensing of assets*

Acquisitions of intangible assets costing over \$5 000 and internally generated intangible assets costing over \$50 000 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

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

Software	3 years
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##### *Computer Software*

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5 000 is expensed in the year of acquisition.

#### **(h) Impairment of Assets**

Property, plant and equipment are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Office is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

See note 20 'Impairment of assets' for the outcome of impairment reviews and testing.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES contd

#### (i) Leases

The Office has entered into a number of operating lease arrangements for accommodation, certain equipment and motor vehicles where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating lease. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits to be derived from the leased items.

#### (j) Financial Instruments

The Office has two categories of financial instrument:

- Receivables (including cash); and
- Non trading financial liabilities (payables).

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

#### (k) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and restricted cash and cash equivalents.

#### (l) Accrued Salaries

The accrued salaries suspense account (refer note 15 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

Accrued salaries (refer note 23 'Other liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to its net fair value.

#### (m) Amounts Receivable for Services (Holding Account)

The Office receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as asset replacement and leave entitlements.

See also note 14 'Income from State Government' and note 17 'Amounts receivable for services'.

#### (n) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 3(j) 'Financial Instruments' and note 16 'Receivables'.

#### (o) Payables

Payables are recognised when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 3(j) 'Financial Instruments' and note 21 'Payables'.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES contd

#### (p) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance sheet reporting date. See note 22 'Provisions'.

##### (i) Provisions – Employee Benefits

###### *Annual Leave and Long Service Leave*

The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

###### *Superannuation*

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes:

Employees may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Office has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by the Treasurer.

Employees who are not members of either the Pension or GSS Schemes become non contributory members of the West State Superannuation Scheme (WSS), an accumulation fund. The Office makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS Scheme.

The GESB makes all benefit payments in respect of the Pension and GSS Schemes, and is recouped by the Treasurer for the employer's share.

See also note 3(q) 'Superannuation expense'.

##### (ii) Provisions – Other

###### *Employment On-Costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Office's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'. See note 22 'Provisions'.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES contd

#### (q) Superannuation Expense

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans – Change in the unfunded employer’s liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrue a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and
- (b) Defined contribution plans – Employer contributions paid to the West State Superannuation Scheme (WSS), and the equivalent of employer contributions to the GSS.

Defined benefit plans – in order to reflect the true cost of services, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. As these liabilities are assumed by the Treasurer [refer note 3(p)(i)], a revenue titled ‘Liabilities assumed by the Treasurer’ equivalent to the expense is recognised under Income from State Government in the Income Statement. See note 14 ‘Income from State Government’.

Defined contribution plans – in order to reflect the true cost of services of the Office, the Office is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Fund.

#### (r) Resources Received Free of Charge or For Nominal Cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as revenues and as assets or expenses as appropriate, at fair value.

#### (s) Comparative Figures

Comparative figures have been restated on the AIFRS basis except for financial instruments information, which has been prepared under previous AGAAP Australian Accounting Standard AAS 33 ‘Presentation and Disclosure of Financial Instruments’. The transition date to AIFRS for financial instruments is 1 July 2005 in accordance with the exemption allowed under AASB 1, paragraph 36A and Treasurer’s Instruction 1101.

### 4 JUDGEMENTS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

There have been no judgements made in the process of applying accounting policies that have had a significant effect on the amounts recognised in the financial statements.

### 5 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- Discount rates used in estimating provisions.
- Estimating useful life of key assets.

## 6 DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES

### Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. As referred to in Note 2, TI 1101 has only mandated the early adoption of revised AASB 119, AASB 2004-3, AASB 2005-3, AASB 2005-4 and AASB 2005-6. Consequently, the Office has not applied the following Australian Accounting Standards and UIG Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]'). This standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.
2. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Office does not undertake these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.
3. UIG Interpretation 4 'Determining whether an Arrangement contains a Lease'. This interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At reporting date, the Office has not entered into any arrangements as specified in the Interpretation resulting in no impact when the Interpretation is first applied. The interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.

The following amendments are not applicable to the Office as they will have no impact:

<u>AASB Amendment</u>	<u>Affected Standards</u>
2005-1	AASB 139 (Cash flow hedge accounting of forecast intragroup transactions)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 & AASB 139]'
2006-1	AASB 121 (Net investment in foreign operations)
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'.
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.

## 7 EMPLOYEE BENEFITS EXPENSE

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries	6 113	5 637
Superannuation - defined contribution plans (West State)	415	369
Superannuation - defined benefit plans (Gold State)	320	371
Annual leave <sup>(a)</sup>	619	575
Long Service Leave <sup>(a)</sup>	129	368
	<u>7 596</u>	<u>7 320</u>

(a) Includes a superannuation contribution component.

## 8 SUPPLIES AND SERVICES

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Contracted audit work	4 129	2 642
Other services and contracts	300	247
Communications	64	65
Consumables	200	191
Repairs and maintenance	215	182
Administration	329	420
Other staffing costs	288	342
Advertising	30	23
Lease expenses	94	96
Other	8	12
	<u>5 657</u>	<u>4 220</u>

## 9 DEPRECIATION AND AMORTISATION EXPENSE

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Depreciation</b>		
Office and computer equipment	314	376
Furniture and Fittings	23	22
Total Depreciation	<u>337</u>	<u>398</u>
<b>Amortisation</b>		
Intangible assets	<u>1</u>	<u>0</u>
Total depreciation and amortisation	<u>338</u>	<u>398</u>

## 10 ACCOMMODATION EXPENSES

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Office rent	383	383
Office parking	65	59
Monthly Outgoings	161	174
	<u>609</u>	<u>616</u>

## 11 CAPITAL USER CHARGE

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Capital user charge	<u>49</u>	<u>114</u>

The Government applies a levy for the use of its capital for the delivery of services. It is applied at 8 per cent per annum on the net assets of the Office, excluding exempt assets and is paid to the Department of Treasury and Finance quarterly.

## 12 NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Costs of Disposal of Non-Current Assets</u>		
Office and Computer Equipment	0	111
<u>Proceeds from Disposal of Non-Current Assets</u>		
Office and Computer Equipment	0	85
Net Gain/(Loss)	<u>0</u>	<u>(26)</u>

## 13 OTHER REVENUE

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Contributions for the use of motor vehicles	14	14
Miscellaneous	<u>86</u>	<u>53</u>
	<u>100</u>	<u>67</u>

## 14 INCOME FROM STATE GOVERNMENT

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Appropriation received during the year:		
Service appropriations <sup>(a)</sup>	14 535	12 405
The following liabilities have been assumed by the Treasurer during the financial year:		
- Superannuation <sup>(b)</sup>	<u>84</u>	<u>110</u>
Total liabilities assumed by the Treasurer	84	110
Resources received free of charge <sup>(c)</sup>		
Determined on the basis of the following estimates provided by agencies:		
Crown Solicitor's Office	<u>12</u>	<u>37</u>
Total resources received free of charge	12	37
Total income from State Government	<u>14 631</u>	<u>12 552</u>

- a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.
- b) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation scheme. The notional superannuation expense is disclosed at note 7 'Employee Benefits Expense'.
- c) Where assets or services have been received free of charge or for nominal cost, the Office recognises revenues (except where the contributions of assets or services are in the nature of contributions by owners in which case the Office shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

## 15 RESTRICTED CASH AND CASH EQUIVALENTS

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Non-current</u>		
Accrued salaries suspense account <sup>(a)</sup>	<u>25</u>	<u>0</u>

(a) Amount held in the suspense account is only to be used for the purpose of meeting the 27<sup>th</sup> pay in a financial year that occurs every 11 years.

## 16 RECEIVABLES

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Current</u>		
Receivables	61	76
Other Receivables	33	0
Allowance for doubtful debts	0	0
GST Receivable	<u>208</u>	<u>140</u>
	302	216
Prepayments	196	107
Total Current	<u>498</u>	<u>323</u>

See also note 3(n) 'Receivables' and note 34 'Financial Instruments'.

## 17 AMOUNTS RECEIVABLE FOR SERVICES

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	<u>446</u>	<u>419</u>

Represents the non-cash component of service appropriations. See note 3(m) 'Amounts receivable for services (Holding Account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

## 18 PROPERTY, PLANT AND EQUIPMENT

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>FURNITURE &amp; FITTINGS</b>		
At Cost	307	248
Accumulated depreciation	<u>( 80)</u>	<u>( 57)</u>
	<u>227</u>	<u>191</u>
<b>OFFICE &amp; COMPUTER EQUIPMENT</b>		
At Cost	1 842	1 602
Accumulated depreciation	<u>(1 225)</u>	<u>( 917)</u>
	<u>617</u>	<u>685</u>
	<u>844</u>	<u>876</u>

Reconciliations of the carrying amounts of office and computer equipment and furniture and fittings at the beginning and end of the reporting period are set out below:

	<b>Furniture and Fittings</b>	<b>Office and Computer Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2006</b>			
Carrying amount at start of year	191	685	876
Additions	60	245	305
Disposals	0	0	0
Depreciation	<u>( 23)</u>	<u>( 314)</u>	<u>( 337)</u>
Carrying amount at end of year	228	616	844

	<b>Furniture and Fittings</b>	<b>Office and Computer Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2005</b>			
Carrying amount at start of year	209	638	847
Additions	4	535	539
Disposals	0	( 112)	( 112)
Depreciation	<u>( 22)</u>	<u>( 376)</u>	<u>( 398)</u>
Carrying amount at end of year	191	685	876

## 19 INTANGIBLE ASSETS

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Computer software		
At Cost	63	0
Accumulated amortisation	<u>(1)</u>	<u>0</u>
	<u>62</u>	<u>0</u>
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Reconciliations:		
Software		
Carrying amount at start of year	0	0
Additions	63	0
Amortisation expense	<u>(1)</u>	<u>0</u>
Carrying amount at end of year	<u>62</u>	<u>0</u>

## 20 IMPAIRMENT OF ASSETS

There were no indications of impairment of office and computer equipment and furniture and fittings at 30 June 2006.

## 21 PAYABLES

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Accounts Payable	<u>51</u>	<u>113</u>

See also note 3(o) 'Payables' and note 34 'Financial instruments'.

## 22 PROVISIONS

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Current</u></b>		
Employee benefits provision		
Annual leave <sup>(a)</sup>	513	495
Long service leave <sup>(b)</sup>	795	741
	<u>1 308</u>	<u>1 236</u>
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Non-Current</u></b>		
Employee benefits provision		
Long service leave <sup>(b)</sup>	332	387
	<u>332</u>	<u>387</u>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 12 months of reporting date	513	495
More than 12 months from reporting date	0	0
	<u>513</u>	<u>495</u>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 12 months of reporting date	162	187
More than 12 months from reporting date	965	941
	<u>1 127</u>	<u>1 128</u>

## 23 OTHER LIABILITIES

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Work in Progress - Contractor payments	1 083	289
Accrued Salaries	110	0
	<u>1 193</u>	<u>289</u>

## 24 EQUITY

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

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CONTRIBUTED EQUITY</b>		
Balance at the start of the year	602	530
<b>Contributions by owners</b>		
Capital contribution <sup>(a)</sup>	<u>27</u>	<u>72</u>
Total contributions by owners	<u>27</u>	<u>72</u>
Balance at the end of the year	<u>629</u>	<u>602</u>

- a) Capital Contributions (appropriations) and non-discretionary (non-reciprocal) transfers of net assets from other State Government agencies have been designated as contributions by owners in Treasurer's Instruction TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' and are credited directly to equity.

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>ACCUMULATED SURPLUS/(DEFICIENCY)</b>		
Balance at the start of the year	( 27)	48
Result for the period	<u>482</u>	<u>( 75)</u>
Balance at the end of the year	<u>455</u>	<u>( 27)</u>
<b>TOTAL EQUITY</b>	<u>1 084</u>	<u>575</u>

25 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	2 091	979
Cash advances	3	3
Restricted cash and cash equivalents (refer to note 14)	25	0
	<u>2 119</u>	<u>982</u>

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

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cost of services	(14 149)	(12 627)
Non-cash items:		
Depreciation and amortisation expense	338	398
Liabilities assumed by the Treasurer	84	110
Resources received free of charge	12	37
Net (gain)/loss on sale of non-current assets	0	26
<u>(Increase)/decrease in assets:</u>		
Current receivables <sup>(c)</sup>	( 107)	125
<u>Increase/(decrease) in liabilities:</u>		
Current payables <sup>(c)</sup>	( 62)	48
Current provisions	72	26
Other non-current liabilities		
Other current liabilities	904	( 98)
Non-current provisions	( 55)	129
Net GST receipts/(payments) <sup>(a)</sup>	1	3
Change in GST in receivables/payables <sup>(b)</sup>	( 68)	( 57)
Net cash provided by/(used in) operating activities	<u>(13 029)</u>	<u>(11 880)</u>

(a) This is the net GST paid/received, ie. cash transactions.

(b) This reverses out the GST in receivables and payables.

(c) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and receivable / payable in respect of the sale / purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

## 26 COMMITMENTS

At the reporting date, contracts were in force for the following commitments:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Private Sector Contracts		
These commitments are due for payment:		
Within one year	4 715	2 241
Later than one year but not later than five years	2 875	1 473
Later than five years	<u>0</u>	<u>0</u>
	<u>7 590</u>	<u>3 714</u>
Operating Lease Commitments *		
These commitments are due for payment:		
Within one year	586	508
Later than one year but not later than five years	1 992	1 875
Later than five years	<u>540</u>	<u>1 004</u>
	<u>3 118</u>	<u>3 387</u>

\* The Office has been advised by The Department of Housing and Works that from 1 July 2006 there will be a probable rental increase of office accommodation amounting to 35%+ per annum. The amounts under 'Operating Lease Commitments' does not include for the increase as an assessment from the Valuer General's Office is not yet available.

These commitments are all inclusive of GST.

## 27 REMUNERATION OF SENIOR OFFICERS

Senior Officers are classified as those members of Corporate Executive.

The number of senior officers, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

	2006		2005
\$30 001 - 40 000	1	a	0
\$60 001 - 70 000	1	b	0
\$90 001 - 100 000	1	a	0
\$120 001 - 130 000	0		3
\$130 001 - 140 000	3		0
\$140 001 - 150 000	1		2
\$270 001 - 280 000	0		0
\$280 001 - 290 000	1		0
\$320 001 - 330 000	0		1 *
	<b>2006</b>		<b>2005</b>
	<b>\$'000</b>		<b>\$'000</b>
The total remuneration of senior officers is:	<u>1 025</u>		<u>996</u>

\* Includes leave payout

During the 2005-06 financial year, the Office experienced a number of changes in the composition of senior officers. This resulted in an increase in the total numbers disclosed:

- a) Includes two senior officers who have shared an Assistant Auditor General position for the full financial year.
- b) Includes one senior officer who commenced with the Office part way through the year.

The total remuneration includes the superannuation expense incurred by the Office in respect of senior officers.

No senior officers are members of the Pension Scheme.

### Service Agreements

D D R Pearson, *Auditor General*

- o Terms of Agreement – The Auditor General is appointed under the FAAA (1985). Sections 71-77 of the Act govern the employment and tenure of the Auditor General.

J Doyle, *Deputy Auditor General*

- o Terms of Agreement – SAT Contract five years commencing 6 March 2006 and concluding 5 March 2011.

## 27 REMUNERATION OF SENIOR OFFICERS Cont...

P Wilkins, *Executive Director, Performance Review Division*

- o Term of Agreement – SES Contract five years commencing 15 February 2006 and concluding 14 February 2011.

P Jost, *A/Assistant Auditor General, Standards and Quality Division*

- o Term of Agreement - Permanent employee with employment conditions subject to the PSMA Regs (1994).

S Thomson, *Assistant Auditor General, Strategy, Policy and Innovation*

- o Term of Agreement – SES Contract five years commencing 13 March 2006 and concluding 12 March 2011.

S Howell, *Executive Director, Assurance Services Division*

- o Term of Agreement – SES Contract five years commencing 14 January 2002 and concluding 13 January 2007.

G Clarke, *Executive Director, Compliance and IS Audits Division*

- o Term of Agreement – SES Contract five years commencing 11 June 2005 and concluding 10 June 2010.

Apart from the Auditor General, and the A/Assistant Auditor General Standards and Quality the following employment conditions apply:

- o Period of Notice - at least nine months prior to the end of the contract, discussions will take place to determine if the contract will be extended. At least three months prior to the end of the contract, the final decision on reappointment will be made.
- o Where contract is terminated before the term of the appointment expires, the senior executive officer is entitled to no less than four weeks notice. Alternatively the employing authority may give up to 12 weeks pay in lieu of notice or the parties may agree to a shorter period of notice.
- o Severance – three weeks for each year of service up to a maximum of 52 weeks (in accordance with PSMA Regs. (1994))

## 28 REMUNERATION OF AUDITOR

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
An independent auditor is appointed by the Governor under section 81 (2) of the <i>FAAA (1985)</i> to audit the accounts of the Office with the fee being paid by this Office	<u>11</u>	<u>10</u>

The expense is included at note (8) 'Supplies and services'.

**29 RESOURCES PROVIDED FREE OF CHARGE**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
During the year, audit services were provided free of charge to a number of Departments, Authorities and for Request audits.	<u>55</u>	<u>223</u>

**30 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Nil

**31 RELATED BODIES**

Nil

**32 AFFILIATED BODIES**

Nil

### 33 EXPLANATORY STATEMENT

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Fund Appropriations and Income Estimates' are shown below.

Significant variations are considered to be those greater than 10 percent or \$250 000.

#### (i) Significant variances between estimate and actual for 2006 – Total appropriation to deliver services.

	<b>2006 Estimate \$'000</b>	<b>2006 Actual \$'000</b>	<b>Variation \$'000</b>
Item 35 Net amount appropriated to deliver services	12 826	14 204	1 378

The net amount appropriated to deliver services was adjusted primarily due to extra funding in relation to the Disaggregation of Western Power, New Auditing Standards, New Executive Structure, additional audit fees and an adjustment to capital user charge.

There was no significant variation in the total cost of the output 'Performance Auditing'.

#### (ii) Significant variances between actual and prior year actual – Total appropriation to deliver services.

	<b>2006 \$'000</b>	<b>2005 \$'000</b>	<b>Variation \$'000</b>
Item 35 Net amount appropriated to deliver services	14 204	12 183	2 021
Total cost service 'Performance Auditing'	14 209	12 694	
Revenues from ordinary activities	33	67	

The increase in the net amount appropriated to deliver services was mainly due extra funding in relation to the Disaggregation of Western Power, New Auditing Standards, New Executive Structure, additional audit fees and an adjustment to capital user charge.

The total cost of 'Performance Auditing' increased in line with an increase in expenditure of contracting out of an extra 64 new audits to meet the 90 day reporting deadline of financial statements and the additional costs in relation to auditing Agencies and Departments Australian Equivalent International Financial Reporting Standards opening balance sheet.

#### iii) Significant variances between estimate and actual for 2006 – Capital Contribution.

	<b>2006 Estimate \$'000</b>	<b>2006 Actual \$'000</b>
Purchase of non-current physical assets	446	369

Actual capital expenditure was lower than the estimate which is mainly due to the deferment of new management systems to 2006-07 to enable (a) organisation to focus on revised system requirements for early reporting and audit methodology and whole-of-office electronic document management project and (b) investigation of applications to provide data warehousing and analysis and improved integration of corporate information systems.

**iv) Significant variances between actual and prior year actual – Capital Contribution.**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Purchase of non-current physical assets	369	540

The increase in the purchase of assets from prior year was mainly attributable to the Office laptop replacements which occurred in 2004-05.

**v) Significant variances between estimate and actual - Administered revenues.**

	<b>2006</b>	<b>2006</b>
	<b>Estimate</b>	<b>Actual</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenues disclosed as Administered Revenues	9 584	11 143

Administered revenue was higher than the estimate due to the additional costs relating to the transitional requirements in 2005-06 to review agencies opening balance sheets as part of the adoption of International Financial Reporting Standards which came into effect for accounting periods commencing on or after 1 January 2005.

**vi) Significant variances between actual and prior year actual – Administered revenues.**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenues disclosed as Administered Revenues	11 143	13 157

Administered revenue in 2005 was significantly higher than 2006 mainly due to the changed arrangements from 1 July 2004 whereby all audit fees collected by the Office are paid directly into the Consolidated Fund. This involved the recognition of work in progress for the first time (\$4 043 461).

## 34 FINANCIAL INSTRUMENTS

### CASH FLOW INTEREST RATE RISK

The Office's exposure to interest rate risk is nil as the relevant financial instruments consisting of cash and cash equivalents, restricted cash and cash equivalents (ie: accrued salaries suspense account), receivables, payables and accrued salaries are all non-interest bearing.

### CREDIT RISK

All financial assets are unsecured.

Amounts owing by other government agencies are guaranteed and therefore no credit risk exists in respect of those amounts. In respect of other financial assets the carrying amounts represent the Office's maximum exposure to credit risk in relation to those assets.

The following is an analysis of amounts owing by other government agencies:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Western Australian Government agencies	61	76
Government agencies of other jurisdictions	0	0
	<u>61</u>	<u>76</u>

### LIQUIDITY RISK

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

### NET FAIR VALUES

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

## 35 SUPPLEMENTARY FINANCIAL INFORMATION

### Write-Offs

During the financial year \$0 (2005:\$2 539) was written off the Office's asset register under the authority or:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
The Accountable Officer	0	3
The Minister	0	0
Executive Council	0	0

### Losses Through Theft, Defaults And Other Causes

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Losses of public moneys and public or other property through theft or default	0	0
Amount Recovered	0	0

### Gifts of Public Property

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Gifts of Public Property	0	0

## 36 ADMINISTERED TRANSACTIONS

### Administered Expenses and Income

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Expenses</b>		
Receipts paid into Consolidated Fund	10 177	8 924
<b>Total administered expenses</b>	<u>10 177</u>	<u>8 924</u>
<b>Income</b>		
Fees for Audit Services <sup>(a)</sup>	11 143	13 157
<b>Total administered income</b>	<u>11 143</u>	<u>13 157</u>

### Administered Assets and Liabilities

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>		
Cash and cash equivalents	147	107
Receivables <sup>(a)</sup>	5 197	4 252
<b>Total Administered Current Assets</b>	<u>5 344</u>	<u>4 359</u>
<b>Current Liabilities</b>		
GST Payable	145	126
<b>Total Administered Current Liabilities</b>	<u>145</u>	<u>126</u>

### Notes to Administered Items

- a) Fees for Audit Services and Receivables in 2006 includes Work in Progress valued at \$4 735 786. Work in Progress is being recognised as an Administered transaction and is calculated in accordance with the percentage of audit completed. The percentage of audit completed is measured by reference to labour incurred to date as a percentage of the estimated total audit hours.

### 37 RECONCILIATIONS EXPLAINING THE TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

#### RECONCILIATION OF EQUITY AT THE DATE OF TRANSITION TO AIFRS: 1 JULY 2004 (AASB 1.39(a)(i))

Note	Previous GAAP	Adjustments		Total	AIFRS
	1 July 2004	Reclassification Prepayments AASB 101 34.3	Employee Benefits AASB 101 34.1	Adjustments	1 July 2004
<b>ASSETS</b>	\$000	\$000	\$000	\$000	\$000
<b>Current Assets</b>					
(1) Cash and cash equivalents	653				653
(2) Restricted cash and cash equivalents	256				256
Receivables	177	215		215	392
(3) Amounts receivable for services	350				350
(4) Other current assets	215	( 215)		( 215)	0
<b>Total Current Assets</b>	<u>1 651</u>	<u>0</u>		<u>0</u>	<u>1 651</u>
<b>Non-Current Assets</b>					
Furniture and equipment	847				847
<b>Total Non-Current Assets</b>	<u>847</u>				<u>847</u>
<b>TOTAL ASSETS</b>	<u>2 498</u>	<u>0</u>		<u>0</u>	<u>2 498</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payables	65				65
Provisions	656		459	459	1 115
(5) Other current liabilities	387				387
<b>Total Current Liabilities</b>	<u>1 108</u>		<u>459</u>	<u>459</u>	<u>1 567</u>
<b>Non-Current Liabilities</b>					
Provisions	812		( 459)	( 459)	353
<b>Total Non-Current Liabilities</b>	<u>812</u>		<u>( 459)</u>	<u>( 459)</u>	<u>353</u>
<b>TOTAL LIABILITIES</b>	<u>1 920</u>		<u>0</u>	<u>0</u>	<u>1 920</u>
<b>NET ASSETS</b>	<u>578</u>				<u>578</u>
<b>EQUITY</b>					
Contributed equity	530				530
Accumulated surplus/deficiency	48				48
<b>TOTAL EQUITY</b>	<u>578</u>				<u>578</u>

- (1) Equivalent AGAAP line item 'Cash Assets'  
(2) Equivalent AGAAP line item 'Restricted Cash Assets'  
(3) Equivalent AGAAP line item 'Amounts Receivable for Outputs'  
(4) Equivalent AGAAP line item 'Other Assets'  
(5) Equivalent AGAAP line item 'Other Liabilities'

### 37 RECONCILIATIONS EXPLAINING THE TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) Contd

#### RECONCILIATION OF EQUITY AT THE DATE OF TRANSITION TO AIFRS: 30 JUNE 2005 (AASB 1.39(a)(ii))

Note	Previous GAAP	Adjustments		Total	AIFRS
	30 June 2005	Reclassification Prepayments AASB 101 34.3	Employee Benefits AASB 101 34.1	Adjustments	30 June 2005
	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
<b>Current Assets</b>					
(1) Cash and cash equivalents	982				982
(2) Restricted cash and cash equivalents	0				0
Receivables	216	107		107	323
Amounts receivable for services	419				419
(3) Other current assets	107	( 107)		( 107)	0
<b>Total Current Assets</b>	<u>1 724</u>	<u>0</u>		<u>0</u>	<u>1 724</u>
<b>Non-Current Assets</b>					
Furniture and equipment	876				876
<b>Total Non-Current Assets</b>	<u>876</u>				<u>876</u>
<b>TOTAL ASSETS</b>	<u>2 600</u>	<u>0</u>		<u>0</u>	<u>2 600</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payables	113				113
Provisions	682		554	554	1 236
(4) Other current liabilities	289				289
<b>Total Current Liabilities</b>	<u>1 084</u>		<u>554</u>	<u>554</u>	<u>1 638</u>
<b>Non-Current Liabilities</b>					
Provisions	941		( 554)	( 554)	387
<b>Total Non-Current Liabilities</b>	<u>941</u>		<u>( 554)</u>	<u>( 554)</u>	<u>387</u>
<b>TOTAL LIABILITIES</b>	<u>2 025</u>		<u>0</u>	<u>0</u>	<u>2 025</u>
<b>NET ASSETS</b>	<u>575</u>				<u>575</u>
<b>EQUITY</b>					
Contributed equity	602				602
Accumulated surplus/deficiency	( 27)				( 27)
<b>TOTAL EQUITY</b>	<u>575</u>				<u>575</u>

- (1) Equivalent AGAAP line item 'Cash Assets'  
(2) Equivalent AGAAP line item 'Restricted Cash Assets'  
(3) Equivalent AGAAP line item 'Other Assets'  
(4) Equivalent AGAAP line item 'Other Liabilities'

**37 RECONCILIATIONS EXPLAINING THE TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) Contd**

**RECONCILIATION OF INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005 (AASB 1.39(b))**

Note	Previous GAAP 30 June 2005	Adjustments Net gains on Disposal <b>AASB 116</b> <b>34.2</b>	Total Adjustments	AIFRS 30 June 2005
	\$000	\$000	\$000	\$000
	<b>COST OF SERVICES</b>			
	<b>Expenses</b>			
(1)	Employee benefits expense	7 320		7 320
	Supplies and services	4 220		4 220
	Depreciation expense	398		398
	Accommodation expenses	616		616
	Capital user charge	114		114
(2)	Loss on disposal of non-current assets	26	26	26
(2)	Costs of disposal of non-current assets	111	( 111)	0
	<b>Total Cost of Services</b>	<b>12 779</b>	<b>( 85)</b>	<b>12 694</b>
	<b>Income</b>			
	<b>Revenue</b>			
(3)	Other revenue	67		67
(2)	Proceeds from disposal of non-current assets	85	( 85)	0
	<b>Total income other than income from State Government</b>	<b>152</b>	<b>( 85)</b>	<b>67</b>
	<b>NET COST OF SERVICES</b>	<b>12 627</b>	<b>0</b>	<b>12 627</b>
	<b>INCOME FROM STATE GOVERNMENT</b>			
	Service appropriation	12 405		12 405
	Liabilities assumed by Treasurer	110		110
	Resources received free of charge	37		37
	<b>Total Income from State Government</b>	<b>12 552</b>	<b>0</b>	<b>12 552</b>
(4)	<b>SURPLUS/DEFICIT FOR THE PERIOD</b>	<b>( 75)</b>		<b>( 75)</b>
	(1) Equivalent AGAAP line item 'Employee Expenses'			
	(2) Disposals are treated on a net basis under AIFRS			
	(3) Equivalent AGAAP line item 'Other Revenues from Ordinary Activities'			
	(4) Equivalent AGAAP line item 'Change in Net Assets'			

**RECONCILIATION OF CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005 (AASB 1.40)**

There were no material adjustments with respect to the Cash Flow Statement as presented under the previous AGAAP to that under AIFRS.

## 37 RECONCILIATIONS EXPLAINING THE TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) Contd

### Notes to the Reconciliations

#### Note 34.1 Employee benefits (AASB 101)

AASB 101 requires that a liability must be classified as current where the entity does not have an unconditional right to defer settlement of the liability for at least twelve months beyond the reporting date. Consequently, all annual leave and long service leave entitlements (unconditional long service leave) must now be classified as current. Non-vested long service leave will be non-current to the extent that it does not become unconditional within 12 months from reporting date.

##### 34.1a Adjustments to opening Balance Sheet (1 July 2004)

All unconditional long service leave previously reported as non-current liability has been reclassified to current liability (\$459 000).

##### 34.1b Adjustments to opening Balance Sheet (30 June 2005)

All unconditional long service leave previously reported as non-current liability has been reclassified to current liability (\$554 000).

#### Note 34.2 Net loss on disposal of non-current assets (AASB 116)

Under AGAAP the disposal of non-current assets is disclosed on the gross basis. That is, the proceeds of disposal are revenue and the carrying amounts of assets disposed of are expense. The disposal of non-current assets is disclosed on the net basis (gains or losses) under AIFRS.

##### Adjustments to the Income Statement for the period ended 30 June 2005

The carrying amounts of assets disposed of were previously recognised as an expense. This has been derecognised (\$111 000).

The proceeds of disposal of non-current assets were previously recognised as income. This has been derecognised (\$85 000).

A loss on the disposal of non-current assets of \$26 000 has been recognised as an expense. There has been no change to the deficit for the period.

#### Note 34.3 Prepayments (AASB 101)

AASB 101.75(b) requires receivables to be disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts either on the face of the Balance Sheet or in the Notes. Prepayments were previously reported as Other Assets under AGAAP.

##### 34.3a Adjustments to opening Balance Sheet (1 July 2004)

Prepayments previously reported as Other Assets has been reclassified to Receivables (\$215 000).

##### 34.3b Adjustments to opening Balance Sheet (30 June 2005)

Prepayments previously reported as Other Assets has been reclassified to Receivables (\$107 000).

**CERTIFICATION OF PERFORMANCE INDICATORS  
FOR THE YEAR ENDED 30 JUNE 2006**

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office's performance, and fairly represent the performance of the Office for the financial year ended 30 June 2006.



D D R PEARSON  
ACCOUNTABLE OFFICER  
24 August 2006

INDEPENDENT AUDITOR'S OPINION

OFFICE OF THE AUDITOR GENERAL PERFORMANCE INDICATORS



**RIX LEVY FOWLER**  
CHARTERED BUSINESS ADVISORS

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**INDEPENDENT AUDIT REPORT  
TO THE PARLIAMENT OF WESTERN AUSTRALIA**

**OFFICE OF THE AUDITOR GENERAL  
PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006**

**SCOPE**

I have audited the key effectiveness and efficiency performance indicators of the Office of the Auditor General for the year ended 30 June 2006 under the provisions of the Financial Administration and Audit Act 1985.

The Accountable Officer is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act.

My audit was performed in accordance with section 81 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the performance of the Office of the Auditor General. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

**AUDIT OPINION**

In my opinion, the key effectiveness and efficiency performance indicators of the Office of the Auditor General are relevant and appropriate for assisting users to assess the Office's performance and fairly represent the indicated performance for the year ended 30 June 2006.

**RIX LEVY FOWLER**  
Chartered Business Advisors

**PHILLIP RIX**  
Partner

DATED at PERTH this 24<sup>th</sup> day of August 2006.

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## PERFORMANCE INDICATORS

Government goal: To govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future.

Desired outcome: An informed Parliament on public sector accountability and performance.

Service: Performance Auditing

### KEY EFFECTIVENESS INDICATORS

All Members of Parliament are surveyed annually to determine the extent to which the Office's reports and service fulfil the needs of Parliament. Responses to specific questions relating to the achievement of our Outcome were sought by the Office and are reported as key effectiveness indicators below.

KPI (Parliamentary Census)	2001-02	2002-03	2003-04	2004-05	2005-06	2005-06 Target
The Office of the Auditor General is effective in achieving its desired outcome of informing Parliament on accountability and performance in the public sector	84%	66%	66%	80%	92%	85%
Reports dealt with matters of significance to Parliament	92%	83%	76%	90%	85%	85%
Services and reports of the Office of the Auditor General are useful to Parliament	94%	76%	83%	78%	89%	80%

### KEY EFFICIENCY INDICATORS

The key efficiency indicators reported below incorporate the cost and quantity units of the Office's single service of performance auditing, and gauge the overall efficiency in achieving the desired outcome of an informed Parliament on public sector accountability and performance.

KPI		2002-03 Actual (adjusted) \$	2003-04 Actual (adjusted) \$	2004-05 Actual \$	2005-06 Actual \$	2005-06 Target \$
Cost per Matter of Significance (MoS)		23 267	30 494	50 781	29 600	43 726
Average cost per Audit Opinion	Cost per major audit	100 739	109 539	128 293	134 979	111 593
	Cost per other audit	13 197	17 101	17 265	23 192	19 220

# OFFICE OF THE AUDITOR GENERAL

## PERFORMANCE INDICATORS

### Explanatory Notes for Performance Indicators

#### How were the performance indicators derived?

##### KEY EFFECTIVENESS INDICATORS

The key effectiveness indicators are measured via an annual census of all Members of Parliament administered by an independent consultant. Respondents are not identifiable when the results are presented.

The 2006 Parliamentary Census was sent to all 91 members of Parliament (for completion by 2 June 2006), with flexible options for respondents relating to the method of response. This year's response rate increased to 53 per cent (from 38 per cent in 2005). This can be attributed to the Office's commitment to the earlier commencement and flexible format of the Census, in an ongoing attempt to improve the reliability of Census data through higher return rates.

Three measures are used as indicators to show the extent to which Parliamentarians felt that: the Auditor General was achieving his desired outcome of informing Parliament on accountability and performance of the public sector; reports dealt with matters of significance; and services and reports were useful to Parliament. Responses were sought on a five point rating scale, with the measure being calculated as the number of responses with a rating of either four or five divided by the total number of responses to that question.

##### Key Efficiency Indicators

Key efficiency indicators are formulated to measure the cost per quantity unit. The total cost for 2005-06 is derived from the Office's Cost Allocation Model in the Financial Management Information System. Projects are costed by the Cost Allocation Model using labour hours and direct costs, and allocating indirect costs. Quantity measures used to calculate key efficiency indicators are extracted from the Office's Resource Management Information System and departmental files.

Matters of Significance (MoS) are considered by the Office as being the key messages contained in reports submitted to Parliament. Key messages are defined as those issues a general parliamentary reader would take away from the report after the detail of specific findings and recommendations have receded into the background. MoS are included in all the Auditor General's reports tabled in Parliament under s.95 of the *Financial Administration and Audit Act 1985*.

Draft MoS are subject to internal review and the final MoS are determined by the Auditor General. Generally, these were identified in the Executive Summary of each Report and at the beginning of each chapter as a series of dot points.

A single, overall 'cost per audit' would not be a particularly useful Key Efficiency Indicator because of the variation in the size and complexity of the Office's clients. Two average costs have therefore been calculated:

- major audits – the largest and/or more complex and sensitive attest audits undertaken each year. These agencies cover approximately 94 per cent of State assets.
- other audits – the remaining smaller, less complex attest audits.

A full list of Audit Clients is provided elsewhere in this Annual Report, with 'major audits' being separately identified.

## **What are the variations from previous indicators?**

### **KEY EFFECTIVENESS INDICATORS**

This year's Census data has not been weighted, as the response rates were adequate and were proportionally representative of Parliamentary political party membership. No other significant methodological variations occurred.

#### **Key Efficiency Indicators**

At the commencement of 2004-05, the Office's internal Cost Allocations Model in the Financial Management Information System was altered. This had the effect of redistributing certain costs as allocated overheads which were previously viewed as directly attributable to the production of MoS. In 2004-05, this was ameliorated by providing adjusted comparative key efficiency indicators from previous years, to enable direct comparison with the current year.

This practice has been continued for the 2005-06 Annual Report, and the indicators for 2003-04 included in Table 2 of these Statements have been adjusted to account for these changes in costing systems.

#### **Why are the indicators considered relevant to the outcome and service?**

The Office's Desired Outcome for 2005-06 is: An informed Parliament on public sector accountability and performance.

Parliament is the Auditor General's principal client and as such, the indicators relate to the service that the Auditor General provides to Parliament, which in turn contributes to the Desired Outcome. Members' satisfaction with the Auditor General's reports, service and his contribution to public sector accountability and performance directly measures the effectiveness of informing Parliament.

Matters of Significance (MoS) are included in all reports tabled in Parliament under s.95 of the *Financial Administration and Audit Act 1985*.

The key efficiency indicators incorporate the cost and quantity measures of the Office's single service, and gauge the overall efficiency in achieving the desired outcome of an informed Parliament on public sector accountability and performance.

#### **Why are they key indicators of performance?**

The chosen indicators directly measure the Office's effectiveness and efficiency in delivering its service and meeting its desired outcome.

#### **How can the indicators assist the reader to assess performance?**

The key effectiveness indicators inform the reader as to how well the service of performance auditing contributes to improved public sector accountability and performance as perceived by the Auditor General's principal major client, Parliament. Key efficiency indicators gauge the unit cost of each sub-service. Results are presented as simple percentages or ratios for easy comprehension. Results for both effectiveness and efficiency can be directly compared with performance from previous years, with efficiency results prior to 2004-05 adjusted to ensure comparability.

It should be noted a proportion of the Matters of Significance, identified in performance examinations and controls, compliance and accountability reports tabled in Parliament during the financial year, result from work which occurred in the previous financial year. This has an impact on the final cost per Matters of Significance, and is particularly evident in 2005-06.

## **What major movements in the measurements occurred as a result of unusual events or circumstances?**

### **KEY EFFECTIVENESS INDICATORS**

Due to the improved participation rates and well-proportioned political representation of respondents, this year's Census data is considered to be more reliable. The year's improved access to qualitative information also allows us to more closely analyse perceived challenges and opportunities.

Once again the ratings for two out of the three indicators have significantly increased, with these two results now close to the Office's highest historical level. This is a significant achievement, and to reinforce the OAG's commitment to continuous improvement, we have further raised our 2006-07 targets.

92 per cent of respondents considered that the Auditor General was effective in achieving its desired outcome of informing Parliament on accountability and performance of the public sector, increasing by 12 per cent from 2005 (19 per cent of these indicating that the Auditor General was very effective in this area). 89 per cent of respondents indicated that the services and reports of the OAG are useful to Parliament, an increase of 11 per cent from the previous year. In these two indicators, the OAG has outperformed its targets by seven and nine per cent respectively.

Eighty five per cent of respondents agreed that the Auditor General's reports deal with matters of significance to Parliament. This result meets 2005-06 targets and although a slight decrease on last year's performance, remains a good outcome.

Overall, the feedback has been positive from the majority of Parliamentarians. Qualitative comments noted that the work of the Auditor General has been of high quality, insightful, comprehensive, impartial, analytical, provides valuable information on public sector performance, and is helpful in improving public sector administration. The OAG will continue to focus on improving its performance in all aspects, with particular attention to dealing with matters of significance to Parliament.

The OAG is committed to improving the reliability of our performance indicators and performance against these measures, and will continue to incorporate the views of Parliament in our efforts to improve our effectiveness and efficiency.

### **Key Efficiency Indicators**

The average cost per Matter of Significance (MoS) at \$29,600 has decreased 42 per cent from the previous year and is 32 per cent below the target for 2005-06.

This is largely due to two factors.

Firstly, there has been a slight increase in the number of Reports to Parliament tabled during the year, with the Office tabling some delayed Reports from 2004-05, in addition to achieving estimated numbers of Reports for 2005-06. This has led to a corresponding increase in the total number of MoS, and decrease in Cost per MoS: the 2005-06 Cost per MoS target was developed on the basis of an estimated achievement of 100 MoS, whilst 106 have been identified across the 16 reports tabled in 2005-06.

Secondly, there has been a significant decrease in the total 2005-06 costs associated with the production of these MoS. This is largely due to the high number of MoS which were contained in Reports to Parliament tabled early in 2005-06, with the majority of their production costs borne by the Office in 2004-05. This is consistent with the Explanatory Notes for the 2004-05 Annual Report, where it was noted that there was a historically high level of work in progress MoS.

The average cost of other audit was 21 per cent above target and 34 per cent higher than the previous year. The average cost of major audit was 21 per cent above target but not significantly higher than the previous year. The increases in average cost of audit since last year are the result of a range of cost pressures in the assurance services area. These include the shift to earlier reporting of audit opinions, additional costs associated with the transition of the public sector to the Australian equivalent of International Financial Reporting Standards and unanticipated significant increases in staff attrition. These changes required greater use of additional contractors, in many instances at significantly increased market rates. Whilst these factors had been anticipated to some extent in setting cost per audit targets for 2005-06, the full impact was under-estimated, resulting in significant variations to target for both of these key efficiency indicators.