

# AUDIT UPDATE

Town of Bassendean  
Audit and Governance Committee

February 2021



## 1. FINANCIAL AUDIT UPDATE

The financial audit fieldwork has been completed and details of the outcome are included in the Closing Report.

## 2. OAG REPORTS RECENTLY TABLED IN PARLIAMENT

We have recently tabled in Parliament the following reports which you may wish to review as the recommendations may have relevance to your agency. All reports are available from our website – [www.audit.wa.gov.au](http://www.audit.wa.gov.au)

### January 2021 – Grants Administration

The focus of this audit was to assess whether the sampled State government entities had sound grant administrative practices for various stages of the grant process, including awarding and approval of grants, monitoring of grant milestones, acquittal of grants and assessing the effectiveness of their grant programs. We found only 2 of the 8 entities displayed sound policies, practices and controls. The report contains a number of recommendations to assist entities to implement robust grant administration practices as well as better practice principles that can be used by all public sector entities administering grants.

### December 2020 - COVID-19 Relief Fund

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

### December 2020 - COVID-19: Status of WA Public Testing Systems

This was a limited assurance review assessing if WA Health is effectively prepared to provide pathology testing during the COVID-19 pandemic. We found that WA Health is preparing for a surge of around 20,000 COVID-19 tests per day (to be delivered by public and private laboratories), and the State's PathWest laboratories have planned and prepared to meet surge needs and test processing times have improved. We also identified some unaddressed risks, including that PathWest does not have enough physical space to process tests, especially at its Fiona Stanley Hospital laboratory. The report includes recommendations to help ensure WA Health is prepared in this area, and also for collecting COVID-19 test samples and notifying patients of their results.

### November 2020 – Western Australian Registry System – Application Controls Audit

This audit assessed if the Department of Justice had key controls in place to ensure the data held in its WA Registry System was complete, accurately captured, processed and maintained. The audit was originally conducted in 2018, but due to the significant system vulnerabilities found, the Auditor

General delayed tabling this report so as not to risk exposing the system to deliberate harm. The Department has since worked to address these weaknesses and we have verified key actions implemented. The report contains a number of recommendations for the Department to continue improving various aspects of the system.

### November 2020 – Regulating Minor Pollutants

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

### November 2020 – Audit Results Report – Annual 2019-20 Financial Audits of State Government Entities

This report is the summary of the 2019-20 financial year audits for 143 State government entities. We found most entities are performing satisfactorily in relation to their financial reporting and controls. However, 26% of the financial management control issues and 41% of the information system control weaknesses we reported to entities were unresolved issues from previous years. Where assets are transferred between entities, this must be at fair value and consistently reported by the entities involved in the transaction. All State government entity audit committees and management should consider the good practice and common issues presented in the report.

### October 2020 – Transparency Report: Major Projects

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

### September 2020 – Transparency Report: Current Status of WA Health's COVID-19 Response Preparedness

The objective of this transparency review was to provide information to Parliament and the public about the status of WA Health's COVID-19 response preparedness. WA Health has stated that it is well prepared for a potential outbreak of COVID-19 and the information presented in this report shows that surge planning and preparations have been made in the 3 key areas of PPE, ventilated bed capacity and staffing. In recent times, WA Health has also made good progress on developing outbreak plans and working more closely with various sectors, including aged care. An increased focus on testing and contact tracing capability is also evident in the information presented in this report.

### August 2020 – Managing the Impact of Plant and Animal Pests: Follow-up

The objective of this audit was to assess whether State government entities have effectively addressed findings from our 2013 report. We found DPIRD and DBCA have not addressed all findings. The entities have established a framework for collaborating on pest management and released a Statewide plan that defines stakeholders' roles and responsibilities; however, neither has

been fully implemented or evaluated. The report includes recommendations for improvements to emergency pest response planning, the process to declare pests and reporting from recognised biosecurity groups.

### August 2020 – Waste Management – Service Delivery

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

## 3. SELECTED IN-PROGRESS AUDITS

We are currently conducting the following audits which may be of interest to your agency. To find out more information and anticipated tabling dates as well as our forward work program visit [www.audit.wa.gov.au](http://www.audit.wa.gov.au)

### DLGSC's regulation and support of local government

The objective is to assess whether the Department of Local Government, Sport and Cultural Industries effectively regulates and supports local government entities.

### Regulation of consumer food safety – part 2

The objective is to determine whether the Department of Health effectively regulate consumer food safety in food businesses.

### Contracted-out maintenance

The is to determine whether the Department of Finance effectively manages its contracted out maintenance of buildings.

### Delivering essential services to remote Aboriginal communities – Follow-up audit

The objective is to assess progress made by the Department of Communities towards effectively meeting its responsibilities to deliver services to remote Aboriginal communities since our 2015 report.

### Information Systems audit – application reviews

In this audit, we will review a selection of important applications that entities rely on to deliver services. The focus of this audit is on the key application controls that ensure data is complete, and accurately captured, processed and maintained.

### Department of Communities' administration of family and domestic violence support services

The objective of this audit is to assess Communities' management of the provision of support services for people experiencing family and domestic violence.

### State of cyber security in local government entities

The objective of this audit is to determine if local government entities are effectively managing cyber security.

## Safe and viable cycling in the Perth and Peel region

The objective of the audit is to assess the effectiveness of local government entities in improving the Perth and Peel cycling network and follow-up recommendations from our 2015 performance audit *Safe and Viable Cycling in the Perth Metropolitan Area*.

## Water Corporation: Management of Water Pipes follow-up

The objective of the audit is to assess whether Water Corporation has effectively addressed the findings in 2014 report *Water Corporation: Management of Water Pipes*.

## 4. ACCOUNTING STANDARDS

The following Accounting Standards have been issued or revised. The key changes have been included for your information only. Your finance staff will need to consider the impact on your financial statements, in the context of any Treasury pronouncements.

Nº	Accounting Standard	First year end	Summary
1	AASB 1059 <i>Service Concession Arrangements: Grantor</i> AASB 2018-5 <i>Amendments to Australian Accounting Standards – Deferral of AASB 1059</i> AASB 2019-2 <i>Amendments to Australian Accounting Standards – Implementation of AASB 1059</i>	31 December 2020	<p>The standard applies to service concession arrangements (Public Private Partnership arrangements) that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services.</p> <p>The standard will require the grantor to recognise a service concession asset (e.g. infrastructure, previously unrecognised intangible asset) and, in most cases, a service concession liability. The service concession liability will be accounted for, depending on the terms and conditions, under:</p> <ul style="list-style-type: none"> <li>the financial liability model (if the grantor pays the operator); or</li> <li>the 'grant of a right to the operator' (GORTO) model (if the operator is not paid by the grantor but by third party users).</li> </ul> <p>Also, the timing of recognition will generally be earlier than under current practice.</p> <p>AASB 2019-2 makes amendments to AASB 16 and AASB 1059 to:</p> <ul style="list-style-type: none"> <li>change the modified retrospective method for measuring the GORTO liability and the financial liability at transition</li> <li>modify AASB 16 to provide a practical expedient to grantors of service concession arrangements so that, for assets that would be recognised as service concession assets under AASB 1059, the entity would not have to apply AASB 16 but would continue to apply its existing accounting policy in the year before AASB 1059 becomes effective.</li> </ul>
2	AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i>	30 June 2022	<p>This Standard sets out a new, separate disclosure Standard to be applied by all entities (including public sector entities) that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053. This Standard has been developed based on a new methodology and principles to be used in determining the Tier 2 disclosures that are necessary</p>

			for meeting user needs, to replace the current Reduced Disclosure Requirements (RDR) framework. Please see <a href="#">AASB 1060 Key Facts</a> .
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## 5. OTHER MATTERS OF INTEREST

Other matters that your agency may find of interest include:

### Governance

#### The Governance Institute of Australia – Conflict of Interest in the Public Sector

The Governance Institute of Australia has updated its Good Governance Guide on conflicts of interest in the public sector. The guide sets out the importance of identifying actual, perceived and potential conflicts of interest however it is the declaration and management of the conflict of interest that is critical. The Good Governance Guide can be accessed on the Governance Institute Resource Centre (free for members). It is also free to the public as part of their public sector starter pack.

#### Audit Committees: A Guide to Good Practice

The Auditing and Assurance Standards Board, the Australian Institute of Company Directors and The Institute of Internal Auditors- Australia have produced the third edition of [Audit Committees: A Guide to Good Practice](#). This guide provides a practical introduction to the role and responsibilities of an audit committee. The guide is primarily for directors and audit committees of Australian listed companies. However, directors and audit committees of not-for-profit, public sector and other private sector entities may also find this guide to be a useful reference.