

**SUBCOMMITTEE OF THE STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

**MISCELLANEOUS PROCEEDING**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
MONDAY, 13 DECEMBER 2010**

**SESSION ONE  
OFFICE OF THE AUDITOR GENERAL**

**Members**

**Hon Philip Gardiner (Chair)  
Hon Liz Behjat  
Hon Ken Travers  
Hon Ljiljanna Ravlich**

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**Hearing commenced at 10.58 am****MURPHY, MR COLIN****Auditor General,****Office of the Auditor General, Level 4, Dumas House, 2 Havelock Street,  
West Perth 6005, sworn and examined:****CUNNINGHAME, MR DONALD****Assistant Auditor General, Assurance Services,****Office of the Auditor General, Level 4, Dumas House, 2 Havelock Street,  
West Perth 6005, sworn and examined:****The CHAIR:** Good morning. Thank you for coming in.**Mr Murphy:** Always a pleasure.**The CHAIR:** First of all, apologies from our Chairman, Hon Giz Watson, who unfortunately is still not well.

Before we begin I must administer the oath or affirmation. If you prefer to take the oath, please place your hand on the bible in front of you.

[Witnesses took the oath.]

**The CHAIR:** Thank you. You have signed a document entitled “Information for Witnesses”. Have you read and understood that document?**Mr Murphy:** Yes, I have.**Mr Cunninghame:** Yes.**The CHAIR:** Thank you. These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record. Please be aware of the microphones and try to talk into them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today’s proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that the uncorrected transcript should not be published or disclosed. This prohibition does not, however, prevent you from discussing your public evidence generally once you leave this hearing.

I know that you have heard this so many times before.

**Mr Murphy:** That is all right.**The CHAIR:** Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the annual reports on behalf of the people of Western Australia, and the committee values that assistance. Members, when referring to any documents, please note the page, item and the program concerned.

Now, Auditor General, would you like to make a brief statement preliminarily?

**Mr Murphy:** Thank you very much, Chair. I do not have a lot to say. I would say from the outset that it is a pleasure to appear before the committee. The committee has taken an active interest in the budget of the Office of the Auditor General, and there is provision in the legislation for protection of that budget and I certainly appreciate the support of the committee and the interest that it has shown in that matter.

**The CHAIR:** Thank you.

**Mr Murphy:** I am pleased to be able to advise the committee on this occasion that, as a direct result of the support that it has provided, there has been an increase in the resources made available to my office and budget adjustments have been made really dealing with my concerns about the need to increase the level of performance or audit activity within the office. So I am appearing before you today letting you know that I am very pleased with our current budget outlook. It is as a result, as I have said, of our own efforts and the support of the committee in that regard. So there are no particular concerns or issues that I would like to raise, but I would be more than happy to elaborate on the outcome and what that means for the office.

The other issues that the committee has indicated that it would like to talk to us about were really those in our most recent results report to Parliament, and I would be happy to go through those. I believe we have provided a short briefing paper to the committee on some of the issues, but we would be happy to elaborate on any of those as well.

**The CHAIR:** Thank you very much, Auditor General, and thank you for this briefing note. Are you happy for this briefing note to be a public document?

**Mr Murphy:** Yes, I am.

**The CHAIR:** Thank you.

If you would not mind, we will go through each of the individual items because I think there are a number of interesting points that you have referred to in this document and there may be questions. So if we can go through—hang on, yes, on page 2—section after section. I think we have covered budget for the office.

**Mr Murphy:** Well, certainly; I mean, I have two concerns. There are two broad areas of audit within the office. The assurance services or the attest, probably better known as the financial audits, form the bulk of our work and were some 75 per cent of our audits. They are now funded through fees that we recover from government agencies, so if I need to audit a new agency or do something different, I am able to recover that cost and there is no particular budget difficulty through that process. The concern that I raised last year was the fact that performance audits, although they are highly valued by Parliament, form only 25 per cent of our audit effort, and I felt that it was important to ramp that up at least to something like 30 per cent. With the additional \$250 000 that has been applied for next year and a similar increase for the following year, we will be at 29 per cent of our audit effort going to performance audit, and I hope to see that maintained or increased into the future.

**The CHAIR:** Twenty-nine per cent is reached with the first \$250 000—

**Mr Murphy:** That is correct.

**The CHAIR:** — or with the second \$250 000?

**Mr Murphy:** No; the first one. There has also been off the forward estimates a slight reduction in the financial audit area due to some efficiencies and economies that we have been able to achieve, and that has assisted the balance, if you like. I was thinking that it would take us a number of years to actually get to the 30 per cent, but it appears that we will be at 29 per cent next year due to a corresponding decrease in the amount of assurance audit work being done.

**Hon KEN TRAVERS:** Does that mean that if you get too efficient you will actually end up doing less performance audits in terms of your —

**Mr Murphy:** Not at all. It is the percentage that changes, not the amount of work being done. Certainly, the trajectory of assurance audit work was increasing, and has increased fairly significantly in recent years, so I am pleased to see that that has stabilised and not increasing into 2010–11.

**The CHAIR:** Just on the assurance side and the amount of money that it is costing you to do it, have you done an assessment against a private sector that has a roughly the same sized operations and how your charges compare?

**Mr Murphy:** Indeed we do, not so much as a firm, but we are able to compare our individual audit fees with other jurisdictions, but also with private sector audits. Public reports include in their financial statements the cost of external audit—our public sector entities do and private sector organisations do the same. For organisations like universities, for example, it is relatively easy for us to have a look across Australia to see how our fees compare, and we have done significant analysis on those. So, yes we do, we benchmark our fees, our total costs, with the other audit offices, the public sector audit offices around Australia, and from time to time, we have a look at both our hourly rate and the cost for equivalent-sized audits in individual cases.

**The CHAIR:** On the performance audit part later on, this will be a question I have got; it will be about that in relation to the internal audit processes of departments. We will come to that when we get there. Anything more on item 1?

**Hon KEN TRAVERS:** So, if we were to put a report to the Parliament, you are comfortable you are going to get the \$250 000, that is not still subject—

**Mr Murphy:** No, the adjustment was made in the mid-year review process, so the adjustment to the forward estimates has already been made.

**Hon KEN TRAVERS:** Right, so for it to indicate that we were comfortable with the—as we understand it, based on the advice of the committee to you that there will be an increase of \$250 000 for this financial year?

**Mr Murphy:** No, next financial year.

**Hon KEN TRAVERS:** For next financial year. And then, is there another \$250 000 after that?

**Mr Murphy:** Yes, there is a similar increase for the next year.

**Hon KEN TRAVERS:** So, if we note that \$250 000, and a similar increase for the following year, and the committee believes this is —

**Mr Murphy:** Appropriate.

**Hon KEN TRAVERS:** Appropriate and will meet the needs of the office?

**Mr Murphy:** That is correct. My view is that the legislation provides an opportunity for the joint committee on audit to make a recommendation to the Treasurer when it sees the need to. I note the use of the word “may”, which appears in my legislation quite a bit. So, there is not an obligation; there is no requirement. I think it is particularly useful feature where there is a particular problem, but I do not believe there is an obligation on the committee to do anything if it is comfortable with the situation, as I certainly am.

**The CHAIR:** Item 2, “Findings from audit results report”: these are the assurance audits to which we are referring, to read the financial audits, and there is an increase in the number of deficiencies, and a number of significant deficiencies have also doubled in the last two years, although you say that you do not know what the reasons are, I think, somewhere else.

**Mr Murphy:** Yes, I think they come up under each of the dot points, so they follow through 2.1, 2.2.

**The CHAIR:** But there is no generic decay in the system of financial reporting within the agencies?

[11.10 am]

**Mr Murphy:** No, there are some positive signs emerging; there are some worrying signs as well, but I can assure the committee that there is no trend of decay or things going in the wrong direction. The concern that we have is about the level of attention being given to control issues and issues that

we have raised—the attention being given to rectifying those matters. There are some very positive signs coming out of this particular report. I think in recent years there were significant concerns about staffing within financial management areas within the public sector.

The last couple of years have seen relative stability, so that we have not seen the incredibly high turnover that we had in the past, although we have seen the retirement of some senior people, which obviously has had an impact. There is not any particular single factor in the current environment, as there was a couple of years ago when we had a really high turnover. As a result of that, how would I characterise the landscape? We have put a bit of effort into trying to get agencies to report earlier and to have that reporting of a higher quality, and I think we have achieved some success in that. We measure the dates that agencies provide us with financial statements, and that is trending in the right direction. Also, the quality of those financial statements is improving. The better practice criteria that we use to assess the agencies have indeed been tightened as a result of the number of agencies that are meeting the criteria as a better practice agency. So there are some very good signs emerging. Probably the areas that we are concerned about that are not so positive relate to addressing issues that we have raised—that is, rectifying matters that have appeared in management letters to agencies. Also, we rate the number of control issues that we raised to give the agency some notification as to whether they are of significant, moderate or minor importance, so that the agencies can determine how much effort they should apply to those issues and how quickly. The number of significant issues has gone up significantly. There is some indication that these areas are not getting the priority that they need. I would be at a loss to give the committee an explanation as to why that might be the case, but it certainly is an area of focus for us now to see if we cannot give a bit more attention to those matters that we have raised, and particularly those that are considered significant control issues.

**The CHAIR:** Is the charging of a fee to the agencies for the assurance audit that you undertake something that has had greater emphasis in recent years?

**Mr Murphy:** It was a number of years ago that charging was introduced, and I think it is well bedded down within the sector. It remains a topical issue every time we engage with agencies. There is also some question as to whether the fee is too high or is about right. I believe that the practice of charging agencies is a particularly healthy one because it puts an obligation on us and it also opens us up to challenge from the agencies as to the amount of resources that we have put in. I always say to the agencies that it is a particularly useful dialogue to have about the cost of an audit because by working together the agencies and ourselves can achieve a much more efficient process and therefore a less costly one. The ingredients for those are largely the matters that we have identified in our better practice criteria, which is to produce very early, timely high-quality financial statements and good-quality working papers to address the issues that have been raised throughout the audit pretty quickly and to make sure that key staff are available for us to have a dialogue with. It is that sort of discussion with agencies about reducing the fees that will result in an improvement to the process. I believe that without that, the process would not have the same level of rigour.

**The CHAIR:** That is really what I was driving at. Fair enough.

**Hon LJILJANNA RAVLICH:** I notice in your annual report that you have identified a large increase in the number of financial and information system control weaknesses that you rate as significant. Can you give us an overview of what the risks of that are?

**Mr Murphy:** Yes, I can. On page 15 of our audit results report for 2009–10, we list the major areas of control weakness. I think the sorts of things listed there are, for example, under expenditure, evidence and authorisation of purchasing card transactions, which has clear implications. Within the payroll area, it is the checking of payroll and assessing reports of payees who are authorised to be paid against those who are actually there; this is known as “ghosts,” to make sure that there are no ghosts on the payroll. The revenue controls are largely about procedures and also the segregation of

duties; that is, making sure that more than one officer is involved in those sorts of transactions. They are some of the key controls that we are talking about.

**Hon LJILJANNA RAVLICH:** The interface between numerous agencies and TRELIS and the history of TRELIS, does that present an ongoing risk to government?

**Mr Murphy:** TRELIS was a major issue for the office going back to the early days. I think it was the development and bedding down of that system that attracted a number of criticisms from our office. We were highly critical of a number of aspects of that particular system. I have to say that in recent times that has not been the case. The system appears to have been bedded down and it does not come up on our radar as being particularly problematic. That is not to say that it would not feature in our ongoing audits of applications and controls. I expect that it would, given the size of the application and the fact that it involves significant amounts of government revenue.

**Hon LJILJANNA RAVLICH:** Thank you.

**The CHAIR:** Again, I have other questions but they are listed subsequently, so I will wait until we get there before I ask those. That is item 2. Item 2.1—progress towards rectification of the audit qualification matters for the five agencies that received qualified audit opinions. There may be some questions on this. Hon Ken Travers, did you —

**Hon KEN TRAVERS:** What list are you working on?

**The CHAIR:** This is a briefing paper in our pack. On page 2.

**Hon KEN TRAVERS:** All right. I thought we had just been going through all the items on 2.

**The CHAIR:** I was going through the initial part of 2 and then it gets more specific. Item 2.1 deals with a number of agencies and whether they have had qualified opinions. Are there any of those that you had particular issues with? On page 3 it lists —

**Hon LJILJANNA RAVLICH:** I do. Just on this metropolitan public hospital, which received a qualified opinion on their financial statements and controls because not all revenue from medical practitioners' treatment of private and overseas patients was invoiced and brought into account, I just put, "Why not?" Can you explain to us how this works and how does the health system actually capture in total the overseas patients, ensuring that we get the appropriate, I guess, kickback into the state coffers from the work that is done?

**Mr Murphy:** I would be very happy to do that in overview and to have my assistant Auditor General, who knows the matter in some detail, further answer the question. The issue relates to when private patients are treated in our public hospitals. Our practitioners receive a supplement to their salary on the basis that they allow the health system to bill and recover the cost of their services from the patient. They are remunerated for the work that they do and it is up to the health system to then recover the cost from the patient for the services that they provide. What has been happening is that private patients and overseas patients, but largely private patients coming into our public hospitals, have been billed for their hospital bed stay because the hospital does that—it usually bills the health fund for the cost of the bed stay—and the doctors are supposed to let the Health Corporate Network know of the work that they have undertaken so that the patient can be billed for the service. That simply has not been happening across the board in our hospitals, resulting in significant amounts of revenue not being collected. We did spend quite some time trying to establish how much revenue it was. It is always difficult to identify an amount that has not been collected if it has not been collected.

Health, at the end of the day, came up with a number that said it was in the order of \$20 million. It certainly could be significantly more than that; in my view, it is at least \$20 million. So it is simply a breakdown of process, in that doctors were supposed to be advising Health of the details of the patient and the work that they had undertaken; they were not doing that, and there were no checks

in the system to make sure that they were doing that; and as a result, the bills simply were not sent out.

[11.20 am]

**Hon LJILJANNA RAVLICH:** It is interesting, because a lot of people might have private cover but they might choose to go in as a public patient because they cannot be bothered filling out the paperwork, particularly if they have cancer or something and the paperwork is going to be a burden. Also, I guess, a lot of doctors, particularly specialists, do not really like the notion of a lot of paperwork, because they actually too busy saving lives. So I suppose it is a really difficult one.

**Mr Murphy:** On those bases, if somebody has elected to be a public patient, then the issue does not arise. So the only issue we are talking about is where somebody has identified and elected to be treated as a private patient; that is, in those circumstances. You are quite right. The doctors do not have much paperwork associated with this, because, as I have said, they are already remunerated to perform that work within the hospitals. But they do have an obligation to simply let the hospital know what work they have done and the patient's details so that billing can be undertaken.

**Hon LJILJANNA RAVLICH:** What is the health department's response? What have you recommended that they do? As you say, it could be \$20 million that is lost as a revenue source, I guess, to the government coffers. But it could well be four times as much as that. It could well be \$100 million, or five times as much.

**Mr Murphy:** It certainly could be a much larger number. Health has been working on this issue for some period of time now. I might ask my Assistant Auditor General, because he is a bit more familiar with some of the things that they were looking at. I think there was a system that they were looking at that might help. Do you want to make a comment, Don, as to what Health is doing?

**Mr Cunninghame:** Yes. They are working on the existing system. But also we were told that a tender has just been sent out for a replacement system that will, as we were advised, streamline the process, so that, among other things, the doctors will not have to unnecessarily handle quite as much paperwork. That will make it easier for the doctors to provide the precise information that they need to provide in order to enable the billing to occur, because in some instances the doctors have provided information, but it may not all be there, or it may not be in the right format, and then the follow-up process has fallen down, so between the doctors and the HCN, the information has not been received and then invoiced. So they are trying to streamline that whole process and that follow-up process.

**Hon KEN TRAVERS:** When you do the audits on these sorts of things, to what level of detail would you go into a private hospital like Joondalup that is publicly funded? Do you just go to the contract management side of it, or do you go a bit closer and look at the internal workings of the hospital?

**Mr Murphy:** Certainly in an audit of this nature we would not be looking inside the hospital. But it is an interesting addition to the Auditor General Act that I now have the opportunity, under performance auditing, or an investigation, to look at any activity that is conducted by private sector organisations on behalf of government, or where there is significant public funding involved.

**Hon KEN TRAVERS:** I would assume that a hospital like Joondalup would be very good at following up on these matters. It is then an interesting question as to how that feeds back into the price model, as I understand it, for the funding of those privately-run public hospitals, because I think they are funded on a sort of case mix basis; and if they are then getting more money out of converting people to private patients, that might have an impact on what funding they really need to get from the state.

**Mr Cunninghame:** I am not sure on that.

**The CHAIR:** I just want to add a bit to this. It is interesting. Billing systems can often have the gaps that you have discovered, and then you try to fix it. But is it at the hospital level or is it at the agency level where this billing system is faulty? Are there some hospitals that have a good billing system, where they know the services the doctors are doing, they are paying the doctors, and then they know how much to bill the patients; or is it an agency issue?

**Mr Murphy:** No. This is a breakdown across the board. So in all the hospitals that we looked at—the public hospitals—they were not collecting all of the revenue that they should. I do not think we found any that were.

**The CHAIR:** So this is a breakdown across all the hospitals?

**Mr Murphy:** But I would hasten to add that the Health Corporate Network is the overarching, central accounting function for all of our hospitals, and they have a role in this, which includes billing, but also follow ups, instructions, those sorts of things. So I think we are seeing here a breakdown both at the hospitals and at the centre.

**Mr Cunninghame:** If I could add, as the Auditor General has correctly pointed out, the problem is at all the hospitals. Royal Perth was better, in that more was being collected for them; that is, a greater percentage of what is estimated should have been collected was being collected. We do not know the exact amount that should have been collected. But their system was deemed to be better. I understand that their system has been extended to other hospitals as a result, pending, I assume, perhaps another system.

**The CHAIR:** Am I correct in ascertaining from what you have just said that the accountability for actually implementing the billing system is at the hospital level?

**Mr Cunninghame:** That is not my understanding. It was more a case of the accountability being central, but certain aspects of it being left at the hospital level; and consequently you had different procedures at different hospitals.

**The CHAIR:** So is the problem, then, one of ambiguity about where the accountability lies for this?

**Mr Cunninghame:** I do not think there was necessarily ambiguity. It was more a procedural thing, and different hospitals basically being left to run different procedures for providing the information.

**The CHAIR:** It just seems to me to be a very centralised system that does not quite know what is in the detail, in the technicals, or how far it should spread; therefore, it misses what ought to be going out there, unless there is some sort of evolved accountability to the hospital. I do not know whether that is an issue that you get into in terms of that kind of systems structure, or do you leave that for the agency itself?

**Mr Murphy:** No. We certainly do get into that. Most revenue controls are about precisely this issue. You cannot simply wait and see what revenue comes in. That is what auditors look at. They say, “How much revenue should we be collecting, and what controls are in place to make sure there is no leakage; that is, that all of the revenue that is collectable is actually received?” That is, in fact, what was found. What was found was that the controls were not adequate to make sure that on every occasion that somebody carried out one of these procedures, there was a mechanism—a control—in place to make sure that the revenue was collected. That was the weakness that was identified.

**The CHAIR:** Some of these items do meld into one other.

**Mr Murphy:** They do, yes.

**The CHAIR:** Still under point 2.1, Racing and Wagering Western Australia, Hon Ken Travers had an issue about the statement of corporate intent.



**Hon KEN TRAVERS:** Yes. I was going to wait until we had dealt with all the others. I notice it is not listed in here, but obviously statement of corporate intent was the other area that you did pick up in your report, so I was going to have a general conversation when we got to that.

**The CHAIR:** Would you like to leave that to later? Is that okay?

**Hon KEN TRAVERS:** We will probably just go through the list of what you have got.

**The CHAIR:** Okay. Point 2.2 deals with compliance with Treasurer's Instructions and any themes emerging from the audits. I must tell you that I was dismayed to read in the fourth paragraph that, "Common issues included no, or inadequate, reconciliations". I will tell you why that worries me a little bit. We had an agency come in recently and we talked about whether they had their October accounts completed. It might have been that they were hedging themselves because they did not want to say anything out of turn, because they were a bit unused as to how much they could divulge to us without talking to their minister and so on. Are you pretty confident that reconciliations are being fully done? Obviously there is so much done, but are you pretty confident that people in different agencies understand the importance and relevance of the month-by-month reconciliation of accounts?

[11.30 am]

**Mr Murphy:** Absolutely—reconciliations are fundamental, as the Chair has pointed out. Major issues, such as bank reconciliations—for example, if an agency had not carried its reconciliation of its bank account to its own records, that would be an audit qualification issue. That would be a serious, both financial and controls, issue to the point we would not be able to issue a clear opinion on the accounts of that agency, if it had not conducted its bank reconciliation. Reconciliations are taken very, very seriously by my office and certainly by agencies; they are aware of the importance of and the need for those reconciliations. But, of course, in addition to the overall major reconciliation of the bank account to the accounts, there is a range of other reconciliations to do with systems, payrolls and those sorts of things, and each of those is important in its own right and we make an assessment. Really, I have multiple tools at my disposal. As I have said, if it is a very serious matter, we can qualify their accounts; we can report them to the Parliament. If they are less important matters, we can put them in a management letter and tell the agency that they are not doing as well as they ought, and give them an indication of whether it is a significant matter or minor. So we try to have them on a scale that is directly related to the importance of that particular reconciliation and how far behind or to what extent they are not meeting good practice requirements.

**The CHAIR:** The other aspect there, I guess, is you mentioned in paragraph 3 that identified deficiencies include inadequate internal audit functions. Is there a structure where you have internal auditors in different agencies, especially when they are big enough?

**Mr Murphy:** Yes we do; indeed, there is a mandatory requirement that every agency regardless of size have some form of internal audit function. Obviously, very tiny agencies sometimes share a resource with somebody else or something like that. There is a requirement that every agency have an internal audit function and there is a Treasurer's instruction that requires them to have an effective internal audit function, which means as part of our audit checking, we have a look at the effectiveness of internal audit. If it is not operating effectively, then that is again a potential qualification matter depending on how serious it is, but it is certainly something that we look at in the course of our audits. I have to say that in the course of our liaison with agencies, a number of them, certainly the vast majority, have audit committees. We quite often attend those audit committee meetings, not as a member but as an observer and assistant, if you like. In those forums we certainly have a good opportunity to have a look at the work of internal audit to see what is being done and how effective it might be.

**The CHAIR:** Are those internal audit functions in these agencies reporting to the departmental director general or are they reporting to the minister's office?

**Mr Murphy:** A very important fundamental principle of internal audit is that it reports directly to the chief executive officer, so the accountable authority or the director general, as it might be. It is a very important principle so that that body can direct those resources in any way they see fit. Usually that is risk-based so that if they have particular risks or particular issues emerging within the organisation, they can direct those resources immediately or in a time line that they see fit to the risks and issues that exist within the agency. That is why it is very, very different from the work that I do, which then comes along and has a look at areas within an agency without any guidance or reference to the chief executive officer or the board, so we would look at a range of other areas. It sometimes happens and it is often good planning that we can be complementary in the work that we do; in other words, the internal audit might be putting a higher emphasis on payroll, which allows us to reduce the amount of work that we do in payroll, or they might be doing something in accounts payable. However, I hasten to add that that is only when it occurs as a result of the organisation deciding that it wants to put its internal audit resources into a particular area because we will do a comprehensive audit of an agency regardless of what internal audit is done, but we do take it into account in our planning and our coverage.

**The CHAIR:** Not being anywhere near as familiar with the government structure as you are, in a corporate structure, as you would well know, an internal audit function reports directly to the board not to the chief executive officer. Is that then not going to be parallel in a government structure?

**Mr Murphy:** That is correct and that is why I used the term “the accountable authority” because in a board structure where you have a government trading enterprise or a statutory authority, the accountable authority is the board and the internal audit reports to the board, and where it is a director general reporting to a minister in a department, the director general is the accountable authority and the internal audit reports to that director general.

**The CHAIR:** Why do we not have the structure of the internal audit function report to the minister's office, and the minister's office then can direct also the annual agenda of what the internal audit should look at—where is the problem?

**Mr Murphy:** The minister can direct the director general, so the minister can direct a director general to put his or her internal audit —

**The CHAIR:** But so can the board —

**Mr Murphy:** That is correct. It is simply the role of the minister and the role of the director general so that the minister can direct the director general but not individual officers within the agency. That is typically done through the director general.

**The CHAIR:** Yes and that is the difference with the government system, I concede, from the corporate. Except that it being an audit function I thought that could be actually removed a bit from the agency itself so that it is directly responsible to the minister, and the minister then talks about the report that has been given by the internal auditor to the minister and can talk about that with the director general and say, “Listen, this needs to be done. Do it.”

**Mr Murphy:** Of course, the difference in the government sector is my role, which is very different from the private sector model; where in a private sector model, the external auditor would report to the entity, my reporting is to Parliament. So I often have to remind agencies, universities, boards that my role is not reporting to them—I do incidentally—but my fundamental role is to report to Parliament about the agencies.

**Hon KEN TRAVERS:** Really, at the end of the day, you report the same as a private sector organisation to the shareholders.

**Mr Murphy:** Absolutely.

**Hon KEN TRAVERS:** In this case, the ultimate board running it is the Parliament on behalf of the shareholders. In a private sector organisation the ultimate entity running it on behalf of the shareholders is the board. Parliament is the board. There may be sub-boards, including the executive, managing the operations of an organisation, but ultimately Parliament is the final board that oversees the operations. Something that people keep forgetting is that in that sense the executive is the subsidiary of Parliament, not above Parliament.

**Mr Murphy:** From time to time it is necessary for me to remind people of our role and who we report to.

**Hon KEN TRAVERS:** We had to do it the other day with an agency as well.

**The CHAIR:** All that worries me with that is whether the Parliament can actually do enough to get the changes that may be necessary to make as a result of the report that you table in Parliament; whether there is a direct enough connection to make the changes that may be necessary. That is the worry I have with the model about which you talk, Ken, because —

**Hon KEN TRAVERS:** That is the system we have got, though, Phil.

**The CHAIR:** It is a different one, though, from the board. A board can direct the CEO straightaway to do it; the Parliament has much greater difficulty and it may be ignored. There may be deficiencies that just are not looked at when Parliament should be looking at them and we are not.

**Mr Murphy:** The challenge for me is to identify matters of significance to try to pick out issues, themes. My reports tend to have issues that we are seeing, things that are trends, things that are themes, so that I can report on those to the Parliament, to try to pick those key issues that are matters of significance and have them for the parliamentary domain but to make sure at the same time that we provide issues sometimes in great detail to the individual agencies so that they can be very, very clear about deficiencies that we have identified within the agency. I would have to say, although there are issues to do with some of the controls that we have identified here, by and large, when we raise serious issues and report them, agencies are very, very quick to address them, sometimes before we have even reported them to Parliament.

[11.40 am]

**The CHAIR:** Thank you. Any issues about 2.3?

**Mr Murphy:** I think I did have the opportunity to discuss that earlier and, as I said, I think there are some good signs emerging in terms of the quality and timeliness, so I think that is a positive.

**The CHAIR:** The 64 per cent of agencies improving their year-end processes, that is part of that behavioural —

**Mr Murphy:** The reporting that we have done in our annual report on the results now identifies the date that the agency submitted its financial statements to us for audit and we have colour-coded those to identify the better practice agencies in terms of timeliness. That has had exactly the effect we had hoped of improving agency timeliness.

**The CHAIR:** Very good. Information security; does anyone have any questions on that? I do just on that one. I guess it arises out of the Claremont fire experience in their council chambers. Do we have information security practices so that the electronic records and so on are sufficiently protected from a fire so that we do not lose everything?

**Mr Murphy:** Look, certainly in this forum talking about financial information and important agency data to do with its operations, a core element of our information systems auditing is looking at disaster recovery plans and making sure that agencies do have backup arrangements and procedures in place to cover their core systems and their financial information and financial systems. We do have a large number of minor issues that we report to agencies where they need to improve those processes, but that issue of backup and recovery is one of the most fundamental issues, I think, for information systems auditors. It has been for a number of years.

**The CHAIR:** Is there no centralised government electronic computer, or whatever it is, for backup where all the backups go?

**Mr Murphy:** No, there is not a central system. These days there is a lot of off-site storage, which covers the issue of not putting your backup alongside your original data. There is a lot of off-site storage and there is a lot of sharing of people who have similar machinery so that they can actually have their data backed up in one place, but they can also have an alternative site to run their applications on. Increasingly we are seeing redundancy built into systems so that they have spare capacity and duplicate resources there. The technology is helping us a little in that regard.

**The CHAIR:** Has any testing been done by agencies for disaster recovery? Is there a practice that can test to see whether they are ready?

**Mr Murphy:** There is. A number of agencies run them on a regular basis. They really do have to do their own analysis as to, you know, the extent of that parallel running and the frequency of those if there is going to be disruptions to business. But it is typically built into the plan that they need, from time to time, to test those arrangements and, of course, test facilities, physical as well as their procedures and all the rest of it.

**The CHAIR:** Thank you. Anything on 2.6? Point 2.7: “Adverse trends in controlled environments”. 2.8; our beloved! Any questions on shared service arrangements? Could I just broach a general case on this? There are a number of systems where there have been blowouts of budgets and blowouts of timelines. Is there a generic issue that explains that? I mean, for example, is it because there is insufficient rigour by agencies in doing the scoping and the systems analysis of what the project is required to achieve before it goes out to tender? Or is it that when it goes out to tender and then they start adding bells and whistles and you think that is a good idea and it keeps expanding afterwards? Is there a gap in the preparation?

**Mr Murphy:** This is a commonly asked question and I think you can find the question being asked in jurisdictions all around the world, because it is a global phenomenon. I think certainly in the public sector there are some who believe that people who have a desire to get a system up will put forward a business case that has a low threshold—price in the hope that somebody will fund that low price and then they can deal with the ultimate cost later. That is a belief. Certainly there is scope creep, which is the opportunity to add in bells and whistles, as you have said, that people might like. Then, of course, there is the issue of project management; that these issues if not well managed can blow out.

One of the concerns that we have raised and will continue to look at is the extensive use of consultants within the public sector. The level of expertise in some of these areas in government agencies simply is not there, so they need to go to the private sector. I do not have any problem with that. I think that is very sound practice. However, if we continue to seek advice from consultants about the way to do things, quite often those consultants will give you advice that involves them providing more and more services. While the agency’s goal is often to get something done cheaply and quickly, that is not always the consultant’s goal.

**Hon LJILJANNA RAVLICH:** I understand Treasury actually manages this and I also understand that it was Treasury that proposed as a revenue-saving measure to the former government—it might have even started before the former government; I cannot remember, but it certainly was an initiative proposed by Treasury—as something that would be cost effective and would result in, I guess, efficiencies across the public sector in terms of centralised payroll and so on and so forth. In view of the fact that the agency with responsibility, I guess, for financial accountability has got it so wrong, what does that say about Treasury? I am sorry; it is a bit of a loaded question. It is a fair question.

**Mr Murphy:** The project has a long history. I think it is important to recognise that the initiative arose, I believe, as the result of a functional review.

**Hon LJILJANNA RAVLICH:** Yes; I remember it.

**Mr Murphy:** The group that was involved in making the recommendation was far broader than simply Treasury. When the project was initially launched, I think it was not originally under Treasury; I think it was initially under Premier and Cabinet and later was taken over after some of the difficulties were identified. Look, it is very, very clear with hindsight that the expectations were overly ambitious, the costs have blown out significantly and the savings have simply not been there. It is very easy as a case study to analyse this project. They are using software that had not been used in the Western Australian public sector before. They had underestimated the complexity of payrolls within the Western Australian public sector. It has had a litany of issues and I think they are reasonably well-known and documented. I have to say that the current environment for shared services is a particularly difficult one. We need to recognise that in our work and I think government and the Parliament need to recognise that; the major goal for shared services for the next 12 months, and maybe longer, is certainly to complete the roll-in. There are some major agencies that are gearing up and preparing to roll in to shared services. At the same time, a number of those agencies that are receiving services from Treasury and Finances' shared services at Cannington are complaining about the level of service that they are receiving, and looking to have service requests addressed. So, the resources to achieve both the roll-in and address some of the issues simply are not there. The next 12 months will be a particularly difficult period for us regardless of what happens.

[11.50 am]

**Hon LJILJANNA RAVLICH:** It seems to me that if you get the foundations of an ICT or any other project wrong, everything else subsequent to that is very hard to correct. You cited the case in which the payroll system was probably incompatible with what the public sector already had. With all due respect, even with the involvement of Treasury to the extent that it has been involved, it still has not been able to stabilise and stop those cost escalations.

**Mr Murphy:** It is certainly the case for any project that the opportunity to impact cost and scope is much greater from inception and diminishes as time goes on.

**The CHAIR:** As I said, shared services is not the only one. The health system has had a big blow-out and I think there is one in the police system. We have been asking questions of some of the agencies that have come in. A few agencies say that every one of their systems has been on time and on budget. We want them to tell us how they do it. They have a model that seemingly works, if what they are saying is accurate. They are saying it under oath so it should be accurate.

**Mr Murphy:** We did a report a couple of years back on major ICT projects that tried to identify some of the issues that we are talking about. It identified some of the points of failure, if you like, and recommended some good practice ideas for ICT projects.

**The CHAIR:** We might get that. That covers 2.8.

**Hon KEN TRAVERS:** I move to 2.9—"Statement of corporate intents". Mr Murphy, you have made comments about this, as you have done for a number of years. I understand that about three years ago some specific decisions were taken in government to try to bring on the finalisation of statement of corporate intents in an appropriate time frame. Since then there has been a change of government and the statements have got worse, not better. Are you seeing any trends towards trying to address the issue?

**Mr Murphy:** I think it is fair to say that the reason for reporting this matter the way that we have is as a result of my concerns that not enough effort is being put into this particular area. I believe statement of corporate intents are a very valuable part of our accountability framework and they are an important information resource for Parliament. Our examination of agencies suggests that they are being routinely prepared and provided. They are simply not making it through the process so that they end up being tabled in Parliament and available for Parliament and the public.

**Hon KEN TRAVERS:** Do you ever look behind the reasons why they are not being tabled or do you just note that they are not being tabled and leave it at that?

**Mr Murphy:** Probably the latter in this particular case because we certainly put the agencies on notice and talked to the agencies and asked them whether they have prepared the statements, and they have. We know that they have. They then pass through to ministers' offices. There is a budget process and government consideration of matters that are included in the statements of corporate intent. It is not simply a matter of agencies lodging them and having them tabled; they have to go through the budget process.

**Hon KEN TRAVERS:** My experience from the research that I have done is that they are prepared by the agencies in the appropriate time frame to have them dealt with through the government processes. It would be fair to say that the ministers themselves have actually processed them in a reasonable time frame in most instances. The logjam seems to be getting the concurrence of the Treasurer. That seems to be the point at which they are not progressing. The ministers are saying they cannot table them because they cannot get the concurrence of the Treasurer. At the end of the day, there has to be some point at which cabinet responsibility kicks in and they all have an obligation. Trying to understand why we cannot get that concurrence is the issue that needs to be examined and looked at. It would strike me that it is potentially a role that you as the Auditor General could look at; that is, why is the concurrence of the Treasurer not able to be given?

**Mr Murphy:** There probably is scope for me to look a bit further. We thought that the first step would be this one, to really put people on notice that it is an issue, to report it very, very publicly and hope that that results in some action. If it does not, you may be quite correct and there may be somewhere else for us to go. I agree with your comments about actions that are being done because my view is that agencies are preparing these documents. I am also very confident that the budget process considers these critical parameters because it simply would not be possible for a state budget to be put together without considering the major implications of our trading enterprises. I believe that the work that needs to be done is being done. That is why I find it more frustrating that the end product of a statement of corporate intent is not then tabled in Parliament and available.

**Hon KEN TRAVERS:** I understand that in some cases the agencies continue to operate on the basis of the last statement of corporate intent, and provide a draft one to the minister. They then continue to operate on that. They are engaging as if the statement of corporate intent had been signed off. The only people who are missing out are the members of Parliament. Those who by law should have that information are not given that information but they are proceeding with it.

**Mr Murphy:** There is no question of agencies ceasing operations because of —

**Hon KEN TRAVERS:** They operate on the most recent draft that they provided.

**Mr Murphy:** Indeed they do.

**Hon KEN TRAVERS:** The fact is that the Treasurer has not given concurrence. If the statement of corporate intent said that they are going to spend all this money, unless the minister directs them not to do that before 30 June, they will continue to proceed with that.

One of the things that came out of a hearing with RWWA last week, one of the agencies that has done everything right at an agency level, is that its statement has never been tabled, so it has been a problem. That caused me great concern and I am intrigued to know whether it would cause you great concern. That indicated to us that that was very simply why its statement of corporate intent had not been signed off. I have only the uncorrected version of *Hansard* so I can make only general reference to that. My memory of what the RWWA officers told me is fairly clear. They basically said that the reason it had not been signed off was that they had about \$80 million worth of major capital improvements that they needed to do and through good business practices they accumulated the money to do that in their cash balances. They then wanted to proceed to spend that. Treasury basically said that it did not want them to spend that. The reason Treasury did not want them to

spend it was because that cash at bank that they had offset the state's net debt. That raises two issues. First, at the end of the day, I accept that the government has a right to direct these agencies because if they do not want to spend the money, the government should be directing them or formally putting it into a statement of corporate intent that they are not to spend that money. There is an element of whether they are complying with the spirit of the legislation. The second issue is what impact that is having on the representation of the true state of the state's finances because that \$80 million is not money that is generally available to the government to spend. This is not the only example I know of in which money is raised by government and held in accounts that is quarantined for specific purposes by legislation but is being used to create the illusion that the state debt level is not as significant as it really is. That causes me great concern. I wonder whether that is something you have looked at or would be prepared to consider looking at; that is, how much money is sitting there being used to offset debt and giving what is not a completely accurate picture of the state of the state's finances? If that money can only be spent on the activities of RWWA in this case and it is not available for general government revenue, we could be accumulating a level of debt that is over and above what the state can afford.

**Mr Murphy:** The issue that you are talking about, which is the agency's desire to either spend or borrow, is often in direct conflict with Treasury's objectives of trying to manage debt and whole of government. That is a debate that has to happen. If it results in spending not happening that should have happened, for example, for safety issues or high-risk issues, that is an area that I look at routinely. If we identify areas in which maintenance is needed that is not being done or services are not being provided that should be, that is really very much the core of our role.

We would look at those issues if we thought there was something else. The issue you have raised about money being quarantined is not something that I believe we have looked at, but certainly there is an opportunity for us to. If there are issues in that area, I would be happy to look at them.

[12 noon]

**Hon KEN TRAVERS:** There is just \$80 million there, and I can think of another trust account that holds \$40 million and it can only be spent for certain purposes, and currently there is no expenditure—there is \$120 million. You only need a couple more like that and they start to have a material impact. If you look at the annual report on the state's finances, you think the state is doing well, but you realise there is actually—even if it was half a billion dollars worth of expenditure—money that is being held back, money being held in trust accounts but that cannot be used to service the more general debt issues of the state.

**Mr Murphy:** Certainly from time to time we look at those particular trust accounts; I can remember a couple of audits in which we have. I think where there is a trust statement or a restriction, in that funds can only be applied for a purpose, if those funds are being collected and not applied for that purpose, then we would raise that as being an issue and ask questions as to why it was not being.

**Hon KEN TRAVERS:** But it is also about that broader issue.

**Mr Murphy:** Absolutely.

**Hon KEN TRAVERS:** And also the fact that if that is the only reason we have not got the concurrence of the Treasurer, then it strikes me that the intention of the act would have been that if the government does not want that agency to spend the money, then they should sign it off and, by negotiation, get their agreement that they will alter their statement of corporate intent not to include that, or if they cannot get it by agreement, issue a direction as is required under the legislation to just not sign the act. That is why I think it is important to have an investigation that goes beyond simply reporting that it is not happening, but an investigation into why we are not able to get this concurrence and whether under, certainly at least the spirit if not the letter of the act, there is a different process that should be being followed.

**Mr Murphy:** You are quite correct in that there are a lot of checks and balances in the system but they simply cannot operate if these reports are not tabled. It may be that there is a debate to be had about whether spending should or should not happen. That debate does not happen if there is no transparency—if the matter is not put before the Parliament. If the Parliament is aware that there is an issue, then you can have that debate, but if it is hidden away, then —

**Hon KEN TRAVERS:** No. I think the port authorities, for instance, now have all been tabled, and they have been tabled with an addendum added in, which I assume has been done by concurrence rather than direction because I have not seen a formal direction issued, which basically provides, I think, five or six pages of financial parameters that the port authorities are required to now operate within over and above their statement of corporate intent, or that now form part of the statement of corporate intent.

**Mr Murphy:** Yes.

**Hon KEN TRAVERS:** Again, looking at what that means—you made the comment earlier about boards like that, the accountable authorities, the agency, and what impact that then has on their ability to be the accountable authority when they are getting issued with that level of detailed instructions as to what they can and cannot do. Again, I think that is an area that needs to be given consideration to. I would be interested to see whether it was something you were prepared to proceed with, because if not, then this committee may have to do it, but it strikes me that you are actually in a better position to do it than we are.

**Mr Murphy:** Look, certainly if transparency is the major issue and if all of that information is in the public domain, then, as I have said before, those debates can happen. I think boards do have a role if they believe that they are unnecessarily constrained, or if they believe that they have had impositions put on them that are not in the best interests of the organisation, then they really do have a role to speak out about that.

**Hon KEN TRAVERS:** Look, I also accept that the government has a role to be able to say you will or will not spend money that fits within the broad financial parameters of the state.

**Mr Murphy:** Absolutely.

**Hon KEN TRAVERS:** That window of debt that you have, you have to share it as a state government, including the port authorities. Although there is an argument that the rating agencies probably should give more credit as to what type of debt it is. They tend to just look at the total debt. I mean, there is a bit of analysis about whether it is good debt or bad debt in that, sort of, broader sense, but whether it is debt that actually—I should not probably say “debt”—has a source of income to repay it or it is debt that will be repaid out of the consolidated account.

**The CHAIR:** Are you right?

**Hon KEN TRAVERS:** Can I just raise a couple of questions about section 82s now before we move on to the future work?

**The CHAIR:** Yes.

**Hon KEN TRAVERS:** The other question I just quickly wanted to raise with you while you are here is that, again, it strikes me that there seems to have been a number of questions answered in Parliament recently that should have incurred a section 82 certificate and have not; there does not appear to be a section 82 certificate tabled by the minister. I think one that I am aware of, the minister subsequently did it as a result of follow-up questions from the member who had asked the initial question. But there have also been a couple of others since then that I am aware of that I have asked, and there may be questions that other members have asked. What is the process for having that followed up if we do not think that the section 82s are being complied with by ministers?

**Mr Murphy:** Look, as you know, section 82 is unique legislation in this environment, so in many ways we are still finding out how it works and how it operates, but I think a number of things are



clear, and there are some matters that I have had legal opinion on. Probably the most clear is my own obligation to follow up on matters. The legal advice that I have says that I do not have any obligation under section 24 of the Auditor General Act until I receive a section 82 notice. So if I do not receive a notice, then I have no obligation to go through *Hansard*, for example, or any other process to try to identify whether matters should have been referred to me. So in that vein I would encourage members, as they have, that if they believe there should be a notice issued to me, they should pursue that matter in the Parliament to try to ensure that the notice is issued, because I will then act once I receive a notice, but I have no obligation to act until I have.

**Hon KEN TRAVERS:** Do you not also have an obligation, though, to ensure that the financial management legislation is being complied with by agencies?

**Mr Murphy:** Look, certainly. I do have broad powers, beyond section 24, to look at all matters, so if either I chose to, or it was drawn to my attention that there was widespread abuse and things were not happening, then I could conduct the investigations that I choose to. But they would not be under those narrow parameters of section 82 of the FMA and section 24 of the Auditor General Act.

**Hon KEN TRAVERS:** But if, for instance, I was to write to you with a couple of examples of questions that have been answered and a section 82 had not been issued, you would have some ability then to look at that matter or to make inquiries of the minister as to why a section 82 had not been issued under the broader powers.

**Mr Murphy:** Absolutely. As you are aware, if anybody writes to me, I look at the matter, and certainly if it is a member of Parliament I would have a look at the matter that they had raised and then consider it.

**Hon KEN TRAVERS:** The other one, of course, which is slightly different again, is the PTA, where it is a slight different process. They have actually got to get the certificate from you prior to not tabling the information in Parliament under their act.

**Mr Murphy:** Yes, there are sections that exist within their particular legislation and other similar legislation related to those trading authorities.

**Hon KEN TRAVERS:** Can you tell me which other agencies have a similar —

**Mr Murphy:** I think it is Main Roads and that sort of area, but I could certainly get you that information; I know it exists. It is rarely used, but I know it is there.

**Hon KEN TRAVERS:** Wherever they have failed to table information, I think they are required to activate that process prior to not providing it.

**The CHAIR:** Moving along now to (3) in your written paper—“Current Work in Progress”. We can see what you are intending to do there.

**Hon KEN TRAVERS:** Is this public or private, this bit with the current works program?

**The CHAIR:** We have already clarified that; this is all private—this is a public document.

**Hon KEN TRAVERS:** So is the current work in progress public?

**Mr Murphy:** Yes; I might choose to modify that.

**The CHAIR:** Okay. Thank you for raising it.

**Mr Murphy:** There is more information.

**Hon LJILJANNA RAVLICH:** And it is usually on your website.

**Mr Murphy:** I am just not sure —

[12.10 pm]

**The CHAIR:** Would you like to reserve that then?

**Mr Murphy:** Yes, if I may come back.

**The CHAIR:** We will rescind that earlier ruling and defer this until we receive notice from you.

**Mr Murphy:** Yes; it would relate only to section 3, our current work program. As the committee will be aware, I am very keen to provide much more detail to this committee than I would to the public about work we are currently doing, although work in mid-audit would not be appropriate to discuss anyway because we have not gathered sufficient evidence to draw appropriate conclusions. The other reason for including this information is that I am always interested in our topic selection process of the views of the committee about areas that, in the committee's view, we should either include in our consideration or do an examination of.

**The CHAIR:** Okay; thank you for that. It is interesting. Would anyone else like to ask any questions of the Auditor General and Deputy Auditor General?

**Hon LJILJANNA RAVLICH:** No.

**The CHAIR:** I think if it complies with the mining conditions, it is a good area to look at. One particular issue fits what you are doing there in the west midlands. In the procurement, item 3, it does not necessarily fall under the specific state operations, but one of the issues with Northam and with the military camp being used for the boat people up there—the benefit to a regional town like Northam—is that the services are procured from the regional town. We must have similar examples where there are state projects. How does that fit into the criteria that you would look at in the way you would look at it?

**Mr Murphy:** I would like to distinguish the difference between government policy and the implementation of that policy or procurement activity. Procurement has elements of both, typically. Certainly, the buy-local, or local content, are government policy initiatives and objectives, so government would choose the extent to which it wants to give preference to local suppliers or, indeed, anyone. That becomes part of policy and is not something I would examine. That is outside the domain of Auditors General. However, the implementation of that policy is something I would look at and identify whether it is working—whether it is delivering its intended benefits. Of course, the key element is around procurement, which is about safeguarding public spending and making sure it is appropriate and there is no leakage—those sorts of things.

**Hon LJILJANNA RAVLICH:** Why did you decide to have a look at employing apprentices on building projects funded by the state as part of that policy?

**Mr Murphy:** I think that was as a result of a large number of issues that have arisen given the increase in mining activities in recent years that has led to skill shortages in a range of different areas. A number of topics we looked at related to that and this is simply one of them. Certainly, our earlier work in the TAFE sector was similarly prompted by issues about skill shortages.

**Hon LJILJANNA RAVLICH:** Thank you.

**Hon KEN TRAVERS:** It raises a whole interesting question about why we keep approving developments without having a plan to get the skill —

**Hon LJILJANNA RAVLICH:** Exactly right.

**Hon KEN TRAVERS:** — and what impact that is going to have on the rest of the economy. I think there is a really interesting question about the way in which we account for royalties within our budget processes—recurrent expenditure—when it is actually the sale of a capital asset, and why we do not record that. Again, that is an area where the state's finances do not give an accurate picture when you treat royalties as recurrent rather than assets. Is that something —

**Mr Murphy:** We have those debates about the treatment in the accounts at many levels. When a developer gives pipes in the ground to the Water Corporation they are probably more like a liability but they are required to record them as an asset. There is a range of different treatments that potentially do not make sense but we audit in accordance with the accounting standards, and the accounting standards prescribe how these different matters are to be treated. I think anomalies such

as the one you have raised, or others that relate, be they trees or pipes in the ground or whatever it might be, can be dealt with by other reporting if they are not adequately addressed through the reporting that is required under the Australian accounting standards, which are now the equivalent of international financial reporting standards.

**The CHAIR:** I think that then concludes your briefing paper. Are there any other questions we would like to ask the Auditor General?

Thank you very much for coming in and being with us this morning. As always, I think we have enjoyed the discussion very much. We will forward any additional questions we have in writing within the next couple of days with the transcript of evidence. No questions were taken on notice. If we have any other unasked questions in the mean time, we ask they be submitted to the committee clerk at the close of the hearing. Thank you very much for your time?

**Mr Murphy:** Thank you very much. We appreciate the committee's interest in our work.

**Hearing concluded at 12.16 pm**